# Public Utilities

## FORTNIGHTLY

Volume XLV No. 3 February 2, 1950

WANTED: TRUE LIGHT ON CO-OP TAX EXEMPTION

*By Karl D. Butler*

« »

What Makes the FPC Tick?

*By Salley Alley*

« »

Do Utility Companies Need More "Show Shop"?

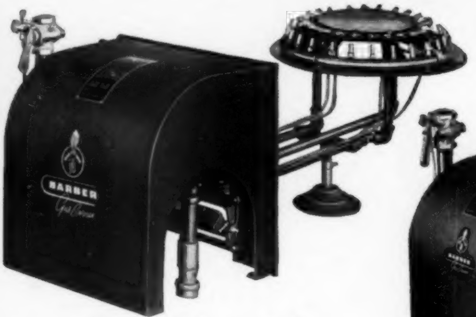
*By James H. Collins*

« »

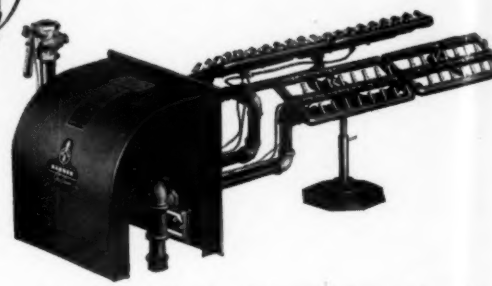
To Sell or Not to Sell—Appliances?

*By David Markstein*

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS



Above, Barber 324-B Automatic Conversion Burner. Tested and certified by AGA Laboratory under new listing requirements.



No. 49-113-B Barber Automatic Burner Assembly

# Public Utilities
## FORTNIGHTLY

Volume XLV    FEBRUARY 2, 1950    Number 3

**Articles**



**Feature Sections**



Public Utilities Fortnightly.. stands for Federal and state regulation of both privately owned and operated utilities and publicly owned and operated utilities, on a fair and nondiscriminatory basis; for nondiscriminatory administration of laws; for equitable and nondiscriminatory taxation; and, in general—for the perpetuation of the free enterprise system. It is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

**$1.00 *a Copy***
***26 Issues a Year***
***Annual Subscription Price* $15.00**

Public Utilities Reports, Inc., Publishers

*Publication Office*........ Candler Bldg., Baltimore 2, Md.
*Executive, Editorial, and Advertising Offices*.. Munsey Bldg., Washington 4, D. C.

Entered as second-class matter April 29, 1915, under the Act of March 3, 1879, at the Post Office at Baltimore, Md., Dec. 31, 1936.  Printed in U. S. A.

***Address all communications concerning the* Fortnightly *to the publishers at Munsey Building, Washington 4, D. C.***

*This advertisement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.*

**New Issue**

## 640,000 Shares

# Middle South Utilities, Inc.

## Common Stock

**without nominal or par value**

**Price $19.125 per Share**

*Copies of the Prospectus may be obtained from such of the several underwriters, including the undersigned, as may legally offer these securities in compliance with the securities laws of the respective States.*

**Union Securities Corporation** **Equitable Securities Corporation**

**A. C. Allyn and Company**
Incorporated

**Tucker, Anthony & Co.**

**Robert W. Baird & Co.**
Incorporated

**First California Company** **Hirsch & Co.**

**The Milwaukee Company** **Piper, Jaffray & Hopwood**

January 18, 1950

## Pages with the Editors

THE facile wit of the editorial desk of the esteemed Baltimore *Sun* hit upon a grim nickname when it referred to President Truman's recent budget as a "Micawber budget." It calls to mind the picturesque character in the Dickens novel so poignantly portrayed by the late W. C. Fields in the moving picture film *David Copperfield*.

MICAWBER, as we recall, was a most amicable fellow of the best intentions, but whose yearning for achievement never got beyond the stage of wishful thinking. He was content with the meager comfort of the thought that sooner or later "something was bound to turn up." And that seems to be the present budget policy of the Federal government. We get a distinct note in the President's message of yearning for retrenchment. But the over-all budget for the coming year of $42.4 billion is only a fraction less than the $43.2 billion budget of the current year. In the proposed budget for Federal agencies lending and spending for power projects would actually be increased from 20 to 35 per cent.

YET, in the face of an admitted deficit exceeding $5 billion for both years, the President's message is keyed up with the cheery expectation that various things will turn up to raise our income to the level of our expenditures. There is no conviction that Federal spending might be cut back. On the contrary, the argument seems to be that spending itself will help taxes to catch up with the outcome. The President put it in a very beguiling way when he stated, "If our income grows, tax revenues will grow too . . ."

THERE might be more complacency about this theory of letting things alone and everything will turn out all right—if there were general acceptance of our present tax collection structure, plus some assurance that the country's business and tax revenues will expand at a more or less predicted mathematical pace similar to population growth, while

© Fabian Bachrach

KARL D. BUTLER

the rate of government expenditures at least marks time waiting for the black ink factor to catch up.

UNFORTUNATELY, such is not the case. Not only is this country's future confronted with the slings and arrows of economic fortunes and misfortunes—just as it has been in the past—but there is growing dissatisfaction with certain taxes upon which the government now depends. Add to that the fact that the rate of government expenditures during the past two decades has invariably outrun the growth of other economic factors (in good times and bad—and shows no signs of tapering off) and we see that the "Micawber theory" of Federal fiscal policy places quite a strain on our national optimism.

FORTUNATELY, there are practical men of good will doing some serious worrying about this problem. They have taken up the challenge of the old cliché of the spenders: "Where would you cut?" There are the Committee on Economic Security and U. S. Senator Byrd of Virginia, who might be called a one-man guardian of the Treasury, if the very futility of that appellation did not bring

a smile in these days of mounting deficits.

Apparently the first step towards fiscal reform is tax reform. The current crisis in Congress over the inequities of the excise tax and the clamor of certain business elements over tax exemption of certain classes of competitors must be answered with adjustment before we can even count on such tax collection structure as the nation now possesses. One of the most controversial arguments along this line is the complaint that business coöperatives are enjoying unfair tax advantages. Unfortunately, it is a controversy too often clouded with emotion and vilification. The give and take of fair, objective discussion is a necessary prerequisite to any solution of the co-op tax-exempt question.

In this issue we have endeavored to present, from the viewpoint of a fair-minded champion of the coöperative movement, a general analysis of the coöperative position. The opening article is by Dr. Karl D. Butler, who recently completed his second year as president of the American Institute of Coöperation. Dr. Butler was born and raised in Arizona and graduated from the university of that state (BS, '31; MS, '33). He went in for agricultural experiments and received his Doctor's degree in 1940 from Cornell University, where he specialized in plant sciences. During World War II he was an official of the government's Rubber Development Corporation. Since that time he has become associated with the staff of Coöperative Grange League Federation, Inc., of Ithaca, New York.

* * * *

The opening days of the year 1950 seem to put a climax on a notable string of court victories which the Federal Power Commission has experienced, in testing its various powers under the Federal Power Act and the Natural Gas Act. Lawyers and laymen alike who follow the progress of public utility regulation to any extent are bound to admit that the FPC has run up a formidable record—one which would have amazed the nation's top-flight constitutional lawyers in the days just before the New Deal.

What is the secret of FPC's ability to fit the thinking of its own majority into lines so parallel with the thinking of the U. S. Supreme Court? We asked Salley Alley, a Washington lady reporter who has specialized in covering the FPC at its home base in the old Hurley-Wright building, to give us the answer. In the article "What Makes the FPC Tick?" beginning page 142, Miss Alley has taken us behind the façade of the official agency title and introduced the readers personally to the members of the commission.

* * * *

James H. Collins, well-known business writer and editor now living in Hollywood, California, undertook a rather unusual adventure when he endeavored to tell us the underlying psychology for a recent outburst of interesting transit publicity. If any utility businessman is haunted by the fear that his company might be hiding its publicity under a bushel, Mr. Collins' article "Do Utility Companies Need More 'Show Shop'?" (beginning page 150) should make stimulating reading.

* * * *

Now that the postwar production of electric and gas appliances has caught up with the customer demand for the most part, we are noting a revival in some places of criticism of utility merchandising practices. As in former days, this criticism springs chiefly from appliance dealers, master plumbers, and merchants in similar lines who question the advantages enjoyed by public utilities in handling such retail items. David Markstein, New Orleans business writer, has undertaken a survey (beginning page 156) of electric utilities in the United States in an effort to determine their merchandising policies in this respect and the reasons behind the same.

The next number of this magazine will be out February 16th.

The Editors


# *Now*...the new 3 purpose CUSTOMER SERVICE COUNTER-DESK

Here at last is the *ideal* unit for the small one or two clerk utility office.

**IT'S FIRE PROTECTED!**—Built to provide utmost efficiency *plus certified fire protection for its contents,* the Customer Service Counter-Desk combines the usual Cashier's Counter, Fire-resistive Safe and Customer Contact Desk *into one compact unit* . . . providing ample housing space for *all* Service Orders, Customer History Records, Service Location Records, Meter History and Test Data, Ledgers, Cash Coupons, Meter Books and Cash Drawer.

**IT'S PORTABLE!**—Unlike customary permanent counters, the Counter-Desk saves space and can be moved about within the office or to a new location without costly alteration charges. Resplendent in Gray-Rite finish, the Customer Service Counter-Desk adds to the appearance of any office.

Ask for your copy of booklet SC 638. Phone your nearest Remington Rand office, or write Management Controls Div., Rm. 153, 315 Fourth Ave., New York 10.

Remington Rand

[illegible] FIRST [illegible]



***This page is reserved under the* MSA PLAN *(Manufacturers Service Agreement)***

# Coming IN THE NEXT ISSUE

★

### THE SIGNIFICANCE OF THE EAST OHIO GAS CASE

The author of this article has lived most of his public life with state regulation of utilities—first as a commissioner, then as a governor, and in recent years as a member of the Senate Committee on Interstate Commerce. He is none other than the Honorable John W. Bricker, U. S. Senator from Ohio. He is the sponsor of a bill (S 1831) pending in Congress to spell out a limitation on the Federal Power Commission jurisdiction over intrastate gas distributors which was recently upheld by the U. S. Supreme Court in the controversial "East Ohio Gas Case."

### OUTLOOK FOR NATURAL GAS INDUSTRY IN CALIFORNIA

Gas has been a part of California life for almost a hundred years. The competitive fuel problems which exist today continue to challenge the best brains and efforts of the industry. But here is an account of successful progress made to date in the Golden state. It is written by Arthur Rohman, who has a background of personal experience with the utility industry on the West coast.

### SPOTLIGHTING THE FARMER'S PUMP

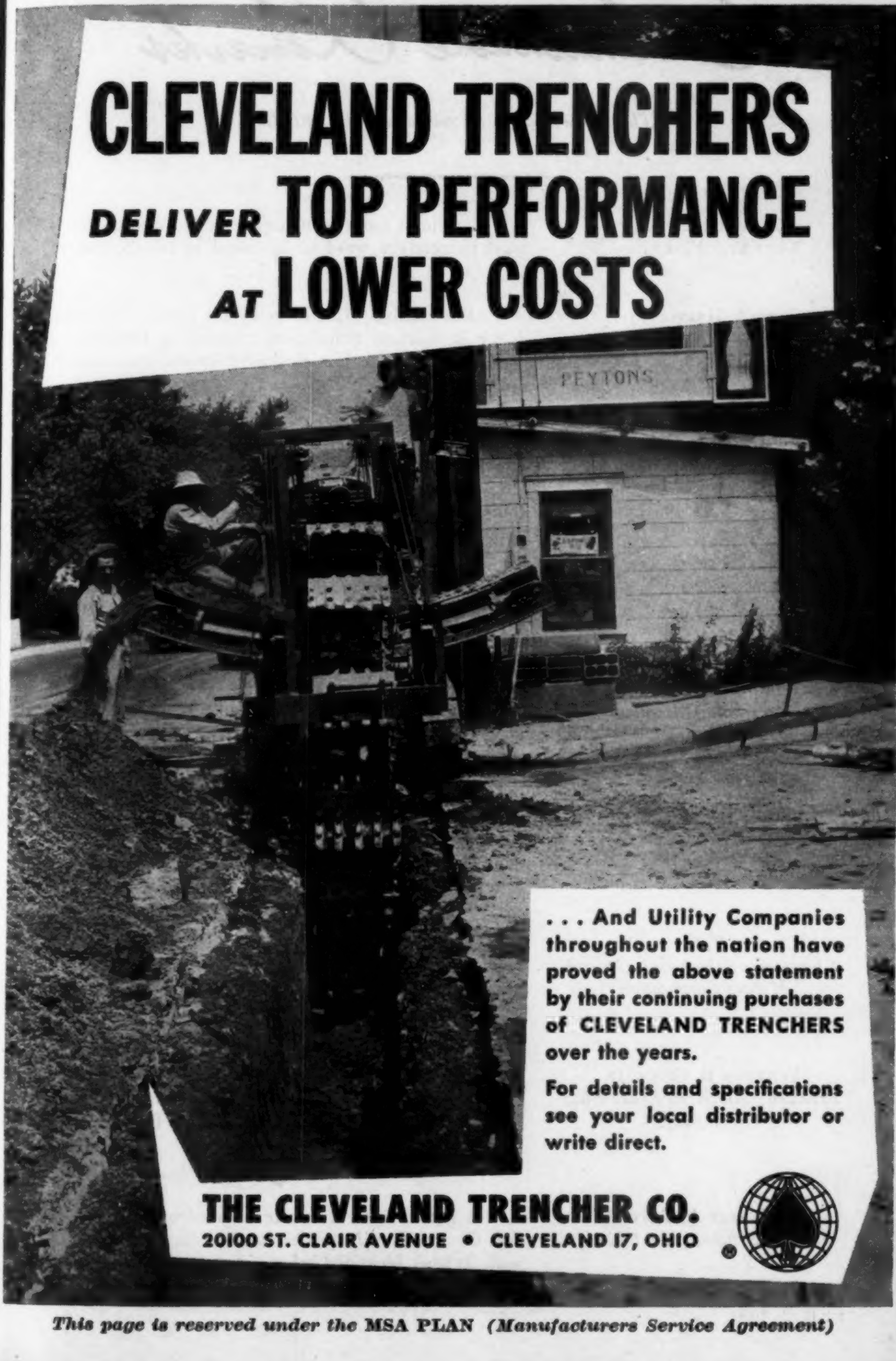
It's an irrigation pump in California, and with 50,000 farm power customers, Pacific Gas and Electric went into total costs on many crops to show that pumping bills are reasonable. James H. Collins, another California business writer and editor now living in Hollywood, tells the story of how this electric utility went directly to its farm customers in promoting the irrigation load.

### BUILD IT YOURSELF

An analysis by a Federal regulatory official of possible tax savings available to operating utilities through the use of operating personnel on company construction jobs. The author is Robert E. Stromberg, assistant chief accountant of the Federal Communications Commission.

★

**Also . . .** ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***


CLEVELAND TRENCHERS
DELIVER TOP PERFORMANCE
AT LOWER COSTS
PEYTONS
. . . And Utility Companies throughout the nation have proved the above statement by their continuing purchases of CLEVELAND TRENCHERS over the years.
For details and specifications see your local distributor or write direct.
THE CLEVELAND TRENCHER CO.
20100 ST. CLAIR AVENUE • CLEVELAND 17, OHIO

# Remarkable Remarks

*"There never was in the world two opinions alike."*
—Montaigne

Editorial Statement
*The (New York) Sun.*

". . . to most spokesmen for the administration, 'economy' is merely a word to be found in the dictionary."

Fred A. Hartley, Jr.
*President, Tool Owners Union.*

"In this relatively free economy the private investment dollar is fourteen times more effective in creating and maintaining private job security than the governmental dollar."

James P. Kem
*U. S. Senator from Missouri.*

"The United States is spending billions of dollars in an effort to stop Marxist Communism but at the same time is spending billions of dollars to subsidize Marxist Socialism."

Ralph W. Gwinn
*U. S. Representative from New York.*

"Socialism—American variety—[is] identical in principle with English nationalization, the French Popular Front, Italian Fascism, German Nazism, and the Russian Communism."

Thomas G. Spates
*Vice president, General Foods Corporation.*

"Conversion to the doctrine of totalitarianism starts at the place where people work, as the result of the way they are treated by their bosses at all levels of human organization."

Emil Schram
*President, New York Stock Exchange.*

"We are helping out labor, farmers, and foreign nations, but are giving too little thought to help for the man who has the dollars to invest that make all the other help possible."

Alfred P. Sloan, Jr.
*Chairman of the board, General Motors Corporation.*

"There is need of high earnings in periods of high volume to offset low earnings in periods of low volume in order that average earnings over a period of time may be at a reasonable level."

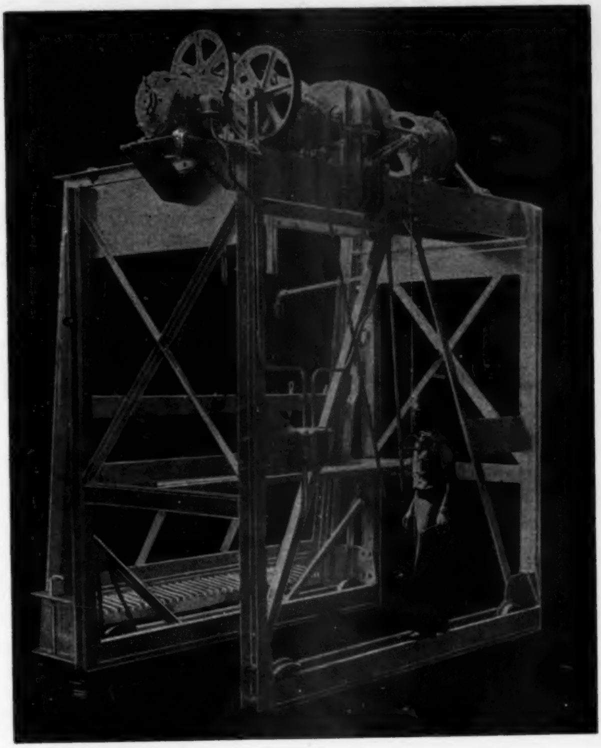
William B. Given, Jr.
*President, American Brake Shoe Company.*

"Exposure to different phases of a business is all important, but it accomplishes little if we do not release the individual's talents. We must be willing to gamble and not let a man's youth make us cautious."

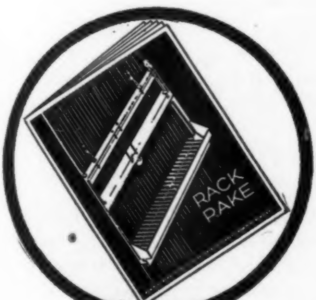
Robert A. Taft
*U. S. Senator from Ohio.*

"We must ourselves believe in freedom. We can't defeat Communism if a lot of our own people compromise with its basic ideas and believe in a government directing the economic and social life of its people."

# NEWPORT NEWS MECHANICAL RACK RAKE



**THE Newport News Mechanical Rack Rake is a power-operated rake for cleaning trash racks at water intakes for hydroelectric plants, steam plants, pumping stations, canals and similar installations. It cleans the rack bars of trash and reduces a former major hand operation to one of minor periodic activity. With Newport News Mechanical Rack Rake installations, one man per shift can, under ordinary conditions, keep the racks clean for a dozen bays.**




***WATER users troubled with trash are invited to write for new descriptive rack rake catalog.***

## NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY

**NEWPORT NEWS, VIRGINIA**

EDITORIAL STATEMENT
*Chicago Journal of Commerce.*

"Congress should seize a double-barreled shotgun and blast the Truman budgets with one barrel and the excise tax list with the other. The result would be most salutary to both government and the business community."

HENRY FORD II
*President, Ford Motor Company.*

"This, it seems to me, is an especially good time for American industry, American labor, and American government to lock arms in a practical program of progress engineered so that it will be strong and solid and will deliver the goods."

EDITORIAL STATEMENT
*The Journal of Commerce.*

"It is still not too late to let the free enterprise system work out its own solutions for the current business recession. But unfortunately it is becoming more and more apparent that official Washington has no intention of permitting such a course."

MARSHALL FIELD
*Publisher, Chicago Sun-Times.*

"The average citizen doesn't care whether essential services are provided by government or by private enterprise. But he is afraid of concentrated power, either in the hands of a centralized bureaucracy or in the hands of a centralized corporate monopoly."

LAWRENCE A. APPLEY
*President, American Management Association.*

"The bigness of business, the growth of Federal power, and the rapid advances of labor organization have all led us away from individual handling of human problems to dealing with them on a mass basis. We must recognize and deal with individuals as individual personalities or submit to a collectivist society."

GEORGE TERBORGH
*Research director, Machinery and Allied Products Institute.*

"When private enterprise develops a predilection for antiques as instruments of production it can expect sooner or later to come under the critical scrutiny of government. An outstanding example of such technological degeneration and of the state intervention to which it inevitably leads may be found in Great Britain."

EDWARD MARTIN
*U. S. Senator from Pennsylvania.*

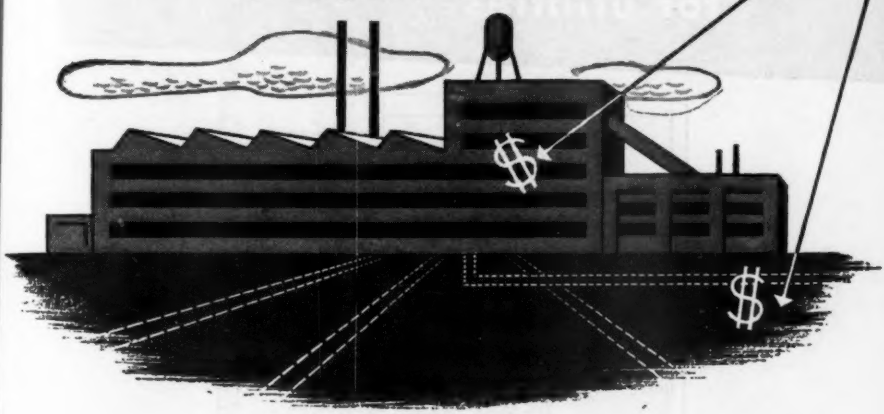
"Always remember that final control is held by the level of government which furnishes the money. . . . With money goes power. With power goes control. Increasing central control means grave danger to the American system of government—a system based upon local self-government, local control, and direct civilian participation."

N. BAXTER JACKSON
*Chairman, Chemical Bank & Trust Company.*

"One of the serious features in our already unbalanced economic outlook [is the small amount of capital expenditures in 1948 which were financed through the issuance of common or preferred stocks]. The answer is not in government spending but in the prudent management of Federal expenditures and a reduction in our tax requirements."

# CONTROL CORROSION!

**reduce hidden costs . . .**
**above ground and below!**



*Today's corrosion rate is alarmingly high!* Unless you have adequate control, your business is incurring unnecessary losses. Either *directly*—due to high maintenance costs and replacement of corroded equipment; or *indirectly*—through losses due to idle equipment, loss of product and plant efficiency.

*EBASCO corrosion control consulting services are applicable to:*

1. All buried or submerged metallic structures—oil, water, gas pipelines and cables—both cross country and urban.
2. Manufacturing, processing and power plants—either on existing facilities or proposed new structures.

These services include a preliminary survey to determine causes of corrosion; recommendations for corrective measures; design and installation of corrosion control methods; and development of a permanent corrosion control program.

**EBASCO can help you develop your own corrosion control program.**

EBASCO specialists not only can help you spot and remedy specific corrosion troubles—but can train your own personnel in setting up *your own corrosion control program*—so you can continue to keep down these "hidden" costs.

Remember . . . corrosion control is something you can't afford to put off. Call in EBASCO specialists—find out what they can do to help you protect your structures now, and for years to come.

Write for the booklet *"The Inside Story of Outside Help"* describing the many EBASCO services available to you. Ebasco Services Incorporated, Dept. W, Two Rector Street, New York 6, N. Y.

ENGINEERS · CONSTRUCTORS
EBASCO
BUSINESS CONSULTANTS

Appraisal
Budget
Business Studies
Consulting Engineering
Design & Construction
Financial
Industrial Relations
Inspection & Expediting
Insurance & Pensions
Purchasing
Rates & Pricing
Research
Sales & Marketing
Systems & Methods
Taxes
Traffic

**EBASCO SERVICES** INCORPORATED

NEW YORK · CHICAGO · WASHINGTON, D. C.

*Ebasco Teamwork gets things done anywhere in the world*

*This page is reserved under the* **MSA PLAN** *(Manufacturers Service Agreement)*

# MAYNARD STATION

## IOWA PUBLIC SERVICE COMPANY

The C-E Unit illustrated here is now in process of fabrication for the Maynard Station of the Iowa Public Service Company at Waterloo, Iowa.

This unit is designed to produce, at maximum continuous capacity, 200,000 lb of steam per hr at 875 psi and 900 F.

It is a 2-drum boiler with 2-stage superheater and finned tube economizer following the boiler surface. A C-E Tubular Air Heater follows the economizer.

The furnace is completely water cooled, using plain tubes throughout.

The unit is fired by a C-E Spreader Stoker, Continuous Discharge Type. The stoker is 20′-3″ long by 24′-0″ wide and has a grate surface of 486 sq. ft.

B-369A

**COMBUSTION ENGINEERING—SUPERHEATER, INC.**

200 MADISON AVENUE • NEW YORK 16, N. Y.

C-E

**ALL TYPES OF BOILERS, FURNACES, PULVERIZED FUEL SYSTEMS AND STOKERS; ALSO SUPERHEATERS, ECONOMIZERS AND AIR HEATERS**

*This page is reserved under the* **MSA PLAN** *(Manufacturers Service Agreement)*

***We consider our 97,630 kva in***

# Capacitors—

# a most worthwhile investment

PORTLAND GENERAL ELECTRIC CO.

This is the story that Portland General Electric Company of Portland, Oregon tells about capacitors:

"Our interest in capacitors goes back before the war. We made some system studies at that time which indicated that, as loads increased, conditions on our distribution system should be improved. In a moderate way, we had installed capacitors to test this out—to increase system capacity and to improve voltage levels.

"This experience served the company well during the difficult war years. Heavy loads taxed system capacity to the limit. Equipment to gain additional capacity was almost out of the question, and it was only by installing capacitors that we met demands.

"Since the war, loads have continued to increase, additional capacitors have helped make it possible to meet this demand. Not only have capacitors been installed on our own distribution system but by offering a rate structure that makes capacitors an attractive investment to some industrial users we have been successful in improving the power factor of industrial loads.

"In hydroelectric areas such as ours, where large blocks of power must be transmitted over long distances, the generation of kilovars at or near the load is especially important.

"To date we have installed 97,630 kvar in capacitors—which compared to our 409,000 kw peak of last December gives us a 24 per cent ratio between connected kvar and peak kw. Of these capacitors 59,380 kvar are fixed, 38,250 kvar are switched.

"Our experience with capacitors demonstrates they release system capacity inexpensively, permitting us to reduce our costs per kw delivered, they improve voltage conditions, they are installed quickly and are completely reliable. We consider them a desirable investment."

Apparatus Department, General Electric Company, Schenectady, New York

**GENERAL ELECTRIC**

*This page is reserved under the* MSA PLAN *(Manufacturers Service Agreement)*

# Utilities Almanack

## February

| | | |
|---|---|---|
| **2** | Th | ¶ *Pennsylvania Electric Association, Transmission and Distribution Committee, will hold meeting, Harrisburg, Pa., Feb. 16, 17, 1950.* |
| **3** | F | ¶ *American Institute of Electrical Engineers ends winter general meeting, New York, N. Y., 1950.* |
| **4** | Sa | ¶ *Radio Correspondents Association holds annual dinner, Washington, D. C., 1950.* |
| **5** | S | ¶ *Edison Electric Institute, Transmission and Distribution Committee, will hold meeting, Detroit, Mich., Feb. 20, 21, 1950.* |
| **6** | M | ¶ *Association of Asphalt Paving Technologists begins meeting, St. Louis, Mo., 1950. Television Institute and Industry Trade Show begins, New York, N. Y., 1950.* |
| **7** | Tu | ¶ *American Society for Testing Materials will hold committee week and spring meeting, Pittsburgh, Pa., Feb. 27–Mar. 3, 1950.* |
| **8** | W | ¶ *National Association of Broadcasters, Board of Directors, begins meeting, Chandler, Ariz., 1950.* |
| **9** | Th | ¶ *Missouri Valley Electric Association begins power sales conference, Kansas City, Mo., 1950.* |
| **10** | F | ¶ *Southern Gas Association begins customer accounting meeting, Tulsa, Okla., 1950. Canadian Broadcasting Corporation ends meeting, Ottawa, Ontario, Canada, 1950.* |
| **11** | Sa | ¶ *Oregon State Broadcasters end annual meeting, Eugene, Ore., 1950.* |
| **12** | S | ¶ *National Rural Electrification Association will hold annual convention, Chicago, Ill., Mar. 6–9, 1950.* |
| **13** | M | ¶ *Edison Electric Institute, Electrical Equipment Committee, begins meeting, Cincinnati, Ohio, 1950.* |
| **14** | Tu | ¶ *Texas Telephone Association will hold annual convention, San Antonio, Tex., Mar. 6–8, 1950.* |
| **15** | W | ¶ *National Electrical Manufacturers Association will hold meeting, Chicago, Ill., Mar. 13–16, 1950.* |

Citadel of Power

*Courtesy, Southern California Edison Company*

Public Utilities

FORTNIGHTLY

VOL. XLV, No. 3 FEBRUARY 2, 1950

# Wanted: True Light on Co-op Tax Exemption

A comparative analysis of co-op problems in the light of competitive business operations—especially on the subject of co-op tax exemption.

By KARL D. BUTLER*

PRESIDENT, AMERICAN INSTITUTE OF COÖPERATION
1948-1949

A MAN'S point of view is one of his most important characteristics. Therefore, I am not optimistic enough to believe that all of us in America ever shall agree on every phase of our economic and political problems down to the last detail. Or rather, I am not *pessimistic* enough to think that this will come to pass, for if there is one thing that sets the American system apart from the British system and the continental system, and, in fact, from all other economic and political systems so far devised and developed, it is *our lack of uniformity.* The very diversity of interests among our teeming millions of citizens is one of our most important assets, and, without doubt, has helped us to progress more spectacularly in our national development than any other nation in recorded history.

To my way of thinking, there is no particular virtue in uniformity—*uniformity levels downward,* as a general rule.

*For personal note, see "Pages with the Editors."

It is axiomatic, however, that we should make every effort to appreciate the other fellow's point of view. All of us, regardless of our organization, our background, our training, or our point of view, should seek out areas of mutual understanding and objectives of mutual interest. As Americans, we should and can work toward a unity of purpose as to what we want our country to become and as to how best to make it even more truly the land of the free.

I have been active in coöperative work for a number of years and likely will continue to be for years to come. I was director of research for the Coöperative Grange League Federation Exchange, Ithaca, New York, before I became president of the American Institute of Coöperation on December 1, 1947. I have resigned that post, effective January 15, 1950, to devote my time to farming and farm counseling.

THE American Institute of Coöperation is a national educational organization sponsored by farmer coöperatives and other farm organizations, and by leaders from the land grant colleges of the United States. It was organized in 1925 and expanded to a year-round program in 1945.

The institute is not a farm policy-making body and engages in no legislative activity. Its only commodities are education and information.

It is supported financially by voluntary contributions from farm business associations. Its small staff in Washington works primarily with coöperatives, educational leaders, business groups, and the press. It conducts and stimulates studies relative to coöperative business. Special emphasis is given to research and education in the fields of economics, public information, law, sociology, youth, public school education, and coöperative business principles. It publishes pertinent information on these and other subjects.

A YEAR-ROUND feature of the institute's program is the sponsoring of informational conferences. These meetings of state and regional scope usually last one or two days and give members, directors, managers, and other coöperative personnel an opportunity to discuss their problems. Specialists in each of the major fields attend the conferences as consultants and participate in the discussions.

The institute's most important event each year is its annual summer session. This is an intensive week's meeting, usually held on the campus of a land grant college and attended by most nationally known and other coöperative leaders. The program is planned carefully and prepared through the assistance of a national committee.

While working with and for coöperatives, I have not been blind to the problems of government, life, and progress which are common to all Americans. Many men active in other than the coöperative form of business enterprise often overlook the fact that coöperative leaders, workers, and members also read, calculate, and see problems with which they are confronted, just as do executives in other fields of business.

IT may be forgotten by some businessmen that coöperative leaders have had to come up the hard way, just as leaders in other types of business en-

terprise. Coöperative leaders, by and large, represent some of the best leadership in this country. Man for man, they perform management duties just as hazardous, if not more so, than those performed by other business executives, but, in fact, receive far less in the way of financial remuneration. I would hazard the guess that not more than a dozen farmer coöperative officials in the U. S. obtain $25,000 a year or more in the way of salaries, although literally hundreds of them handle enterprises that do tens of millions, even hundreds of millions in gross business each year. Coöperative leaders face problems of accounting, purchasing, distribution, and whatnot, just as pressing and just as complicated as those faced by operators of partnerships, sole proprietorships, corporations, or what-have-you.

If there is one thing I should like to do before leaving my present position as president of the American Institute of Coöperation, it is to make clear to the political and business leaders of America that coöperative leaders, either locally or national, are not, and do not wish to be, classified as parasites, legal tax dodgers, or men working to overthrow the American system of competitive enterprise.

To the contrary, it should be obvious to anyone who thinks, that coöperative leaders are most grateful for our present economic system. Under it they have prospered, the people have prospered, and America has prospered as has no other nation on earth. I doubt that our strong coöperative business could have developed to the extent it has in such a short period in any other type of economy.

Doubtless, *some* coöperative leaders have been antipathetic to American methods. There is no doubt but that *some* coöperative leaders (like other leaders in various fields of endeavor in our society) even today do not observe, or have not observed, the high moral standards which we would wish for all Americans in positions of public trust to observe. But just as certain churches have false prophets, in the eyes of some, so does the coöperative field.

There are currently some 10,300 farmer coöperatives. About 54 per cent of them do not seek and do not have a coöperative income tax-exempt status. The other 46 per cent of them are tax exempt, in so far as the corporate income tax is concerned. But there are approximately 300,000 corporate income tax-exempt enterprises in America. Coming under various sections of the Internal Revenue Code (101), they represent 19 different groups including farmer coöperatives.

¶ "It *may be forgotten by some businessmen that coöperative leaders have had to come up the hard way, just as leaders in other types of business enterprise. Coöperative leaders, by and large, represent some of the best leadership in this country. Man for man, they perform management duties just as hazardous, if not more so, than those performed by other business executives, but, in fact, receive far less in the way of financial remuneration.*"

In recent years some of the larger coöperatives among the 46 per cent have changed over from a tax-exempt status to the nontax-exempt group. Essentially, all farmer coöperatives pay the numerous taxes that other corporations and other business pay with two exceptions. Coöperatives pay real estate taxes—often the highest in a community—and numerous other local and state taxes. Also, we hear a great deal about corporation income taxes, but about 87 per cent of all the business establishments in America are not corporations and thus do not pay corporate income taxes. This includes partnerships and a coöperative is essentially a multiple partnership.

For the coöperatives which qualify as corporate income tax exempt, there are only two real exemptions accorded them:

1. That of paying no corporate income taxes on money used to pay dividends on capital stock. (As a matter of fact, most of the national coöperatives and farm organizations have gone on record as being opposed to double taxation of corporate income. No stockholder in other private enterprises is more opposed to such double taxation than are the members of coöperatives throughout the nation.)

2. That of paying no corporate income taxes on necessary and reasonable reserves. To qualify for these exemptions, the coöperatives must meet rigid requirements of the Bureau of Internal Revenue. These requirements are listed by the bureau and each applicant for such exemption must prove its case before the bureau independently. It is not easy even for those who qualify for tax exemption under the present regulations. Many of the requirements are rigid, difficult to meet, and open to varied interpretations, as can be expected in any tax regulation or rule ever formulated.

Therefore, it is to be expected that some believe abuses of tax exemption are still with us and this will continue to be the case until the coöperatives and the Congress definitely clarify their status. This is not a subject to be discussed in dark corners or in back cloak rooms. Coöperatives are perfectly willing that the subject be thoroughly debated and further classified. In fact, this was done by the Subcommittee on Small Business in 1947 and 1948.

The Coöperative Grange League Federation Exchange, Inc., of Ithaca, New York, of which I have served as director of education and research, is one of the larger farmer coöperatives. The GLF recently announced that on savings of $3,406,000 in the year ended last June, it is paying an income tax of $928,000. The GLF recently voluntarily gave up its corporate tax-exempt status because it figured that it could save on operating costs thereby. Few people understand what terrific bookkeeping problems are encountered in a large coöperative that wants to meet every requirement of the Bureau of Internal Revenue if it desires to continue receiving tax exemption. In the case of the GLF, it was felt that the exemption was not worth its cost. The exemption made it practically impossible for GLF to build sufficient reserves to protect the business from hazards common to all business in the competitive enterprise system.

Unfortunately, the paid anticoöp-

## The Co-op Challenge to Self-discipline

"PERHAPS *the biggest challenge facing the coöperatives lies within themselves. In many ways, I am not as afraid of the enemies of coöperatives as I am of coöperatives themselves and of their leaders in some instances. A coöperative, as any business, ought to be operated in such a way as to be above reproach, morally and legally.*"

erative crusaders handle the truth lightly and usually completely ignore it. They say that the coöperatives have made "huge profits," or have engaged in pressure campaigns to keep their "legal tax dodges."

THE rate of growth of coöperatives, in comparison to the rate of growth of our expanding economy and of other forms of business enterprise, has been grossly exaggerated. The figures are available and they are clear, so there should be no room for disagreement among honest men on this score. In recent years, coöperatives have grown tremendously. Other business has likewise grown. Official government statistics show that coöperatives have hardly held their own. Of the total farm business today, the percentage carried on by coöperatives is about one-half of one per cent *less* than that which they transacted two decades ago.

It is true that in some cases farmer coöperatives have taken farmers' products closer to the consumer and have adopted techniques that put them more in the public limelight than formerly. It also is true that farmer coöperatives own more terminal facilities and have gone further toward primary sources of supply by growing vertically.

But what is sometimes overlooked by self-appointed spokesmen for "other private business" is that the coöperatives have had to adopt these *stratagems* merely to hold their own in our highly competitive economy—the type of economy of which we are so proud to be a part. I personally think it is a tribute to the managerial ability of coöperative leaders that they have been able to hold their own, for we must remember that less than a half-century ago the farmer coöperative in this nation was hardly more than an experiment.

I am sure that coöperative leaders want to see coöperatives hold their own or grow by being in the vanguard in demonstrating new methods of serving

the people and by assisting in introducing new vocational services that will help farmers and others to produce more abundantly and to market more efficiently. Coöperative leaders are no more in favor of a "planned economy" than any other type of businessman. We know from observation and study that government control means strangulation of freedom in the long run, and the coöperative is the very essence of freedom.

I HAVE said time and again that coöperatives have reached a certain degree of maturity. The time rapidly is passing when a coöperative can expand further and stimulate growth or loyalty by being supercritical or vituperative toward other business. The coöperative leaders, like other businessmen, know that they must appraise their operations in the business world along with corporations, partnerships, and individual proprietary ownerships. *Coöperatives must stand on their own feet as successful, sound, legal, and competitive nonprivileged business.*

The public has been flooded with half-truth, untruths, and a little bit of truth about coöperatives because of the activities of a few self-appointed spokesmen for business generally. But, I must confess that much of the present-day misunderstanding arises from coöperatives themselves. Many coöperatives have been so busy serving their patrons and the public that they have not taken the time to answer the arguments and statistics used against them.

But thanks to the opponents of coöperatives, interest in coöperatives today is at an all-time high. There is a continual demand on the American Institute of Coöperation for speakers, books, and literature about coöperatives from study groups, colleges, schools, and others. There are new courses on coöperative business being offered in colleges throughout the land and there is an increased interest on the part of sociologists, professors of law, and others. The demand for basic coöperative literature today is heavier than ever before, due in a great measure, I believe, to the agitation among certain opponents of the coöperative.

When compared with other types of business, the responsibilities of members and management in a coöperative are magnified greatly. They are greater because of the organizational setup, peculiar to coöperatives. A coöperative, essentially, is a multiple-partnership arrangement.

PERHAPS the biggest challenge facing the coöperatives lies within themselves. In many ways, I am not as afraid of the enemies of coöperatives as I am of coöperatives themselves and of their leaders in some instances. A coöperative, as any business, ought to be operated in such a way as to be above reproach, morally and legally. Its finances ought to be sound and its sales or purchasing policies should be in the true interest not only of its patrons but of the larger public as well. It should be conducted in such a way so that its leaders not only can defend the idea of having a coöperative for certain economical purposes through thick and thin, but so that they can be downright proud of it.

Businessmen who are not in the coöperative field have put the emphasis on tax revision, as if the fact that coöperatives have enjoyed a measure of

tax exemption is the *only* reason coöperatives have grown and have been able to hold their own in America. Let me assure the more thoughtful businessmen, either in the electric power business or elsewhere, that this simply is not true. Coöperatives have held their own and grown because the leaders of coöperatives have been able to see beyond the ends of their noses—because they have been able to bring into action a latent interest in a large number of persons—because they have been able to see new vistas of service beyond the ken of more traditional businessmen—because they have, whether rightly or wrongly, been more interested in *people* than in *profits*.

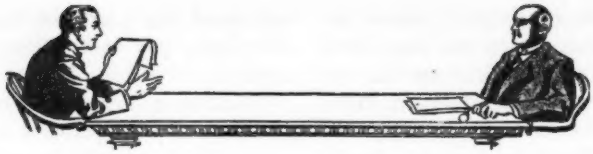
It is my hope and my constant purpose in working for coöperatives to help distribute more of the good things of American production to more Americans at the most reasonable price consistent with the costs of doing business. This, I believe, also has been the aim of countless businessmen who used other forms of operations to serve their friends, neighbors, and the larger public.

OBTAINING equity in taxation is a problem. It is a problem that every American should work to solve, for there are hundreds of inequities inherent in virtually every tax measure passed by local, state, or national governments. No coöperative leader is against a full debate on this issue, if all the angles of all the kinds of taxation are discussed fully and acted upon impartially. We, as Americans, know that *all* Americans have to pay the $45 billion our government will spend this year, and that if some Americans pay less, others will pay more.

Taxation is not simply a business problem, or a coöperative problem, it is a problem that ought to be studied and discussed and thrashed out by every American who considers himself a good citizen. We, as Americans, whether members of coöperatives or not, should unite to fight to cut the costs of government, to whack away at the innumerable bureaucracies abuilding, to make room for more private business, whether it is carried on by coöperatives or corporations. None of us can gain anything through an ever growing Federal establishment.

BUT businessmen who operate in other than coöperative business must not exaggerate what might appear to be taxation inequities. They are on trial for other abuses, not the least of which is having overlooked for years the needs and aspirations of large groups of Americans, who want to improve their own economic position and turn in vain many times to the banker, other private sources, and then turn in disgust to the government.

In a country the size of ours and an economy as great and growing as the competitive American economy, there is ample room for every type of business enterprise. As Joel Barlow, an early American writer, said: "If ever virtue is to be rewarded, it will be in America." I believe in rewarding virtue, and I am sure that every businessman who studies coöperative business will learn that most of its rewards have come because of its virtues.



# What Makes the FPC Tick?

*Perhaps it is the divergent backgrounds of the five commissioners, or it may be because of their differing personalities; but the fact remains, decisions of this most interesting of the "little courts" of Washington nearly always withstand fire in the higher Federal courts. Here is an informal sketch of the five men—economist, journalist, tax expert, a Pennsylvania lawyer, and former governor and ex-U. S. Senator—who make decisions of import to the natural gas and electric utility industries.*

By SALLEY ALLEY*

As a precedent maker, the Federal Power Commission has carved a special niche in public utility regulation. Washington lawyers say you may look up the law on regulation of anything from trucks to crooners, and your reference is likely to be an FPC case.

The legal experts seem to agree on several reasons for this phenomenon. They consider the FPC the most "aggressive" of the little courts. It appears the FPC takes the long view on its problems. As far as appeals from its decisions to the courts are concerned, the agency has an unusual record for wins. The recent 5-to-2 U. S. Supreme Court decision in the East Ohio Gas Company Case marks the climax of an almost unbroken record of "no defeats" for the FPC in appellate proceedings which is comparable, from the standpoint of impressive performance, with Notre Dame's 3-year unbeaten record in college football.

As a matter of fact, the FPC winning streak in the Federal courts started way back before the New Deal, even before the commission was organized on a full-time basis. It started with the case of Clarion River Power Co. *v.* Patrick J. Hurley (Hoover's Secretary of War and ex-officio chairman of the FPC in 1930) PUR 1931B 262. Since then it has included such landmarks as the New River Case in 1940 and the Hope Natural Gas Case in 1944. Of course, much of the responsibility for this record rests upon the staff as well as the commission members. But the men chosen for commissioners lean toward economic and sociological thinking in solution of problems and it has been this direction of thought which has stood the test of review in the highest court.

Veterans with the commission are disposed to stress two main "accomplishments" of the commission: (1) establishment of a clear-cut principle of original cost as a basis for

*For personal note, see "Pages with the Editors."

rates; and (2) establishment of wider discretionary powers for the administrative body.

From its beginning the FPC would have nothing to do with the so-called "fair value" concept by which rates are determined through recognition in whole or in part of the reproduction cost theory of valuation, and this was true even in the days when earlier U. S. Supreme Court decisions approving some recognition of reproduction costs were still regarded as binding precedent. Of course, the basis for this earlier line of decision began to soften in 1933 (in the Los Angeles Case), and was finally dissolved with the Hope Case of 1944.

But long before "Hope," the commission would accept only "net investment" above original cost as a rate base. This FPC policy was sustained by the Supreme Court of the United States but on a permissive rather than a mandatory basis. This made other administrative agencies, as well as the state commissions, free to use the original cost or "depreciated net investment theory" in regulation of rates. Subsequently the FPC was able to have constitutional limitations on regulation restated in such a way as to permit commissions greater latitude in making what the Supreme Court called "pragmatic determinations."

Work on uniform accounts for electric utilities was pretty well wound up by the end of 1949. Out of about 2,000 who filed with the FPC, 11 court cases developed. The rest were settled by conference. About a billion and a half dollars in adjustments have been effected.

Work on natural gas company accounts is just beginning. It is expected to take about two years, as compared to about ten years for the electric.

From the beginning, the FPC has been a forum for opposing interests. States, cities, large industries square off against each other at "Pigeon Roost," the FPC hearing room at the top of a tall, slim building west of the White House. A new gas supply or a low utility rate in one community may be made the basis for an appeal to factory owners to choose one town for a site and employ thousands of local people, by-passing other towns. A politician's career may be assured through successful efforts in obtaining natural gas (or at least claiming credit for the same). One pipeline may nudge another out of a coveted market.

The FPC has the responsibility of resolving such delicate conflicts in favor of the "broad public interest." That means the general policy will be to give gas to new areas, although it may mean that areas where the economic life already is developed around natural gas as a fuel, may not be certain of continued supplies of gas for as long a period of time.

The record of FPC hearings would appear to bear out the commission's avowed policy of letting every man have his say within reason. The coal interests are permitted for days at a time to offer their arguments against the expansion of gas pipelines. The evidence sometimes takes a practical turn. "Schlumbergers" are stretched from Pennsylvania avenue to G street in an effort to test the varying judgments of geologists. Trips to far areas are made to hear hundreds of "have-nots" plead for gas. Sometimes from the side lines it seems five Solomons

could not straighten out the tangled interests. But in the final analysis it seems the FPC decides its cases more from the approach of what the majority thinks it ought to be rather than by any hard and fast yardstick or formula.

THE five present commissioners have such varied interests that one may wonder how they manage to reach a common denominator or mutual approach to the same problem. Yet it is a fact that a Wyoming businessman often lined up with a New York economist (during the days of ex-Commissioner Olds); and a Tulsa publisher joined a New England professor on decisions. It is a little too soon to generalize about what the Pennsylvania lawyer will do, or about the most recent addition (an ex-governor as well as ex-Senator) but the early evidence seems to indicate that FPC decisions will continue to be noted for their diversity.

So far, there has never been a clear or lasting majority on policy with regard to natural gas reserves. First evidence of a division on this subject was revealed in dissents to the Michigan-Wisconsin Pipeline order, authorizing a pipeline to Austin field, near Detroit. Two commissioners (Draper and ex-Commissioner Olds) dissented.

This split became more or less official, when two different reports expressing differing conclusions and recommendations were filed with Congress as the result of the commission's long and careful natural gas investigation.

Chairman Smith and Commissioner Wimberly have repeatedly shown their belief that independent natural gas producers should be exempt from the Natural Gas Act. Commissioner Buchanan as well as Draper seem to have indicated a different viewpoint and the new Commissioner Wallgren will soon have a chance to show his tendency.

CHAIRMAN Nelson Lee Smith hides a warm personality and a ready wit behind a pair of owlish glasses and a stern expression—a defense he may have acquired in his years as college professor. Perhaps he did not want his students to know what a human fellow he is. He still insists upon being taken quite seriously and snaps a quick gavel when some attorney or witness, charmed with the thunder in his own voice, holds the floor overtime.

Modestly, Smith calls himself a teacher, but his record and experience as an economist is a distinguishing one. His whole career seems directed toward his present job. He was born in Baltimore, Maryland, in 1899, and grew up in Philadelphia. He graduated from Dartmouth, *magna cum laude* in 1921, and taught economics at that college until he left his post as professor of economics in 1937 to join the staff at the University of Michigan.

¶ "As *a precedent maker, the Federal Power Commission has carved a special niche in public utility regulation. Washington lawyers say you may look up the law on regulation of anything from trucks to crooners, and your reference is likely to be an FPC case.*"

There he received a degree of Doctor of Philosophy in 1928. He is the author of two economic books: *The Fair Rate of Return in Public Utility Regulation* (1932), and *Economics* (with Bruce Knight), two volumes published in 1929 and 1930.

Chairman Smith was called into utility regulation for temporary service to finish out an unexpired term. He made a hit. Finding the life of a public official more to his taste, at the time, than teaching, he welcomed opportunities to continue. Such opportunities included three years on the New England Governors' Railroad Committee created to study railroad consolidation; a chairmanship of the Board of Investigation and Research under the Transportation Act of 1940; and a long stretch with the New Hampshire Public Service Commission where also he was chairman.

He is proud of the record of the New Hampshire PSC at the time he took part in its activities. He declares that commission was the first to adopt the "original cost" basis for rate determination. The New Hampshire commission, because of its small size, was able to try out progressive theories where larger, more publicized bodies had difficulty getting them started.

Smith can be a skillful compromiser, and an eloquent pleader when demands are made upon him by the Congress and the press. But when it comes to a question of principle, his spirit of determination has outlasted the most skilled and persistent efforts to wear him down. His approach to his job is to consider each problem well within the confines of the governing statute. He refuses to prophesy or speculate on such argumentative generalities as what will happen in the dynamic fuels industries. He believes in the duty of the commission to carry out the will of Congress as found in the Federal Power Act and Natural Gas Act, but he refuses to edit congressional intent on his own responsibility.

Commissioner Harrington Wimberly, a newspaper publisher, knows the Southwest—its hopes and its problems—intimately. He cut his teeth in Texas, marked off the inches in New Mexico, and went to Oklahoma for his higher learning.

It took him just five years to work his way through the University of Oklahoma, and he stepped right into the newspaper business. He started with the *Altus Daily Times-Democrat* in 1924 at Altus, Oklahoma, doing advertising and reporting. Within a short time he was in demand at Cordell to manage a weekly newspaper. By 1928 he was back at Altus to buy a minority interest and take over as editor and publisher of the paper. In 1936 he bought out other interests, and the paper was his. He still owns the publication.

As a newspaper editor, Wimberly has followed the course of utility regulation blow by blow. He studied the Federal Trade Commission reports on utilities, and the holding company legislation in 1935. His particular interest has been in power.

Wimberly has the background of a regular Oklahoma Democrat, interested in party affairs. He was Oklahoma State Democratic Chairman in 1944 and 1945. It is believed that the late Democratic Chairman Robert Hannegan first got him interested in

## Terms of Federal Power Commission Members

| | *Date Appointed* | *Term Expires* |
|---|---|---|
| Nelson Lee Smith (Chairman) | October 26, 1943 | June 22, 1950 |
| Harrington Wimberly | October 5, 1945 | June 22, 1953 |
| Claude L. Draper | June 22, 1930 | June 22, 1951 |
| Thomas C. Buchanan | July 14, 1948 | June 22, 1952 |
| Mon C. Wallgren (Vice chairman) | November 2, 1949 | June 22, 1954 |

the Federal Power Commission post, which eventually became his by appointment in 1945.

Wimberly, in his typical straightforward manner, defends the FPC from its critics. He thinks the commission has done a good job for the public and will continue to do so. He takes the position that there is no division within the FPC on fundamental matters of public utility regulation.

CLAUDE L. DRAPER, the senior member, likes to be known as the balance wheel of the commission, an unpredictable member who approaches each problem on its own merits. He is a Wyoming businessman who helped reform the state tax law policy and then was drawn into administration of the statute.

He is tall, loose-jointed, and has a ready tongue in any discussion. The quickest way to get his back up is to make a remark about "usurpation of power over producers," which he believes the FPC already possesses by virtue of the U. S. Supreme Court decision in the Interstate Natural Gas Case. He dissented when the FPC offered to exempt gas producers from the Natural Gas Act by declaratory order. It was his contention the FPC could not set aside powers which he believed Congress had actually conferred upon the commission and so interpreted by the highest court.

Draper worked his way up from the bottom of the ladder in private business. He started as a clerk on the Union Pacific Railroad and worked up to manager for large Wyoming ranch-

ing interests. He sold out his interests and was looking about for new enterprise when he was enlisted to help draft legislation for reform of the state equalization board.

Although earlier attempts had failed, Draper was successful in pushing his bill through the legislature. He then was chosen as the logical person to administer it. He became chairman of the Wyoming State Board of Equalization and Wyoming Public Service Commission and remained in the job from 1919 to 1930. Previously the Wyoming House of Representatives had numbered Draper among its members for a term (1911-12). It was President Hoover who first appointed Draper to the Federal Power Commission. He has been reappointed four times.

Although over seventy, Commissioner Draper has the reputation for handling more cases than any member of the commission. He has played a lot of golf, but when his long day at the commission is over, he finds it pleasant to take it easy. He is on the job every day and burns the midnight oil as late as any of his colleagues.

THOMAS C. BUCHANAN was welcomed to the FPC as the only lawyer on the commission. He is a man you will hear more about. He first raised his voice when he called the order exempting independent producers from the Natural Gas Act, "contempt of Congress." He loves his native Beaver county, Pennsylvania, and takes pride in the area's great industrial development.

During his term as a member of the Pennsylvania Public Utility Commission, from 1937 to 1945, Buchanan became known as the "public's man." On the Federal Power Commission, also, he considers himself the public's man. While on the Pennsylvania commission, Buchanan created some critics who made considerable difficulty for him when his nomination was before the Senate. He was called stubborn and uncompromising. Regardless of how one views his opinions, Buchanan most certainly is an independent thinker and pretty outspoken about his ideas.

He received his degree from Washington and Jefferson College and also attended the University of Pittsburgh Law School. He is a veteran of World War I, when he served as a Lieutenant in the field artillery.

Thus far, Buchanan's decisions have run parallel to Olds'.

THE "baby" member of the commission, Mon C. Wallgren, came into office under the glare of publicity which had accompanied the crushing defeat of efforts to reappoint Leland Olds. Texas legislators unearthed Olds' prolific writings of the thirties and threw them at him with effective selectivity and telling marksmanship. The political career of the one-time chairman of the commission was buried under an avalanche of what the Senators called "pink papers" — criticizing the methods of private enterprise, championing the labor movement, and urging public ownership of utilities.

Commissioner Wallgren also has shown interest in public ownership of electric power activities in his native state of Washington. But his practices are considered orthodoxically Democratic. Eyebrows were raised on the left when Wallgren joined all other members of the commission, last

year, in a decision granting Pacific Gas and Electric Company a license to build a hydroelectric dam on the Kings river in California. This decision was made over the objection of the Secretary of Interior. Subsequently a rehearing was ordered with Interior intervening, so the outcome is still up in the air.

Commissioner Wallgren was formerly governor of the state of Washington. Prior to that he had served as U. S. Senator and Representative from that state. He resigned from the Senate in January, 1945, to become governor of Washington. As a member of the commission, Mr. Wallgren will help administer many of the laws which were considered and enacted while he was a member of Congress. Wallgren is a gregarious, likeable fellow who can tell a good story well and was once a champion billiard player. While in the Senate, he became a fast personal friend of an equally sociable colleague—the then Senator from Missouri, Harry S. Truman. Out of this friendship came Wallgren's appointment by President Truman—first to the chairmanship of the National Security Resources Board. When that was faced with some delay, if not obstruction, in the Senate, the President named Wallgren to the vacancy left by the Senate's defeat of Commissioner Olds' nomination. The Senators quickly confirmed their former colleague.

A veteran of World War I, Commissioner Wallgren was commissioned a Lieutenant and served with the 63rd Regiment, Coast Artillery Corps, and also as an instructor in heavy field artillery. The new commissioner, who is fifty-eight, was born in Des Moines, Iowa. He moved with his family to Galveston, Texas, in 1894, and then to Everett, Washington, in 1901.

Early in December, Commissioner Wallgren was unanimously elected vice chairman of the FPC to serve during the calendar year 1950. He succeeded Commissioner Claude L. Draper who served in 1949.

SOMETIMES they refer to a sixth commissioner at the FPC. He is Charles W. Smith, chief of accounts and rates, and he certainly is the right-hand man for the five commissioners. Smith carries on the ideas of Clyde L. Seavey, a Californian, who as first chairman of the full-time FPC charted its future course and rounded up men who were willing to sacrifice financial gains of the moment for the opportunity to pioneer in the utility field.

Smith was chief auditor for the public service commission of Maryland when he was persuaded to come to Washington and draft a system of accounts for the Power Commission. He stayed to exert a strong influence upon

¶ "THE *five present commissioners have such varied interests that one may wonder how they manage to reach a common denominator or mutual approach to the same problem. Yet it is a fact that a Wyoming businessman often lined up with a New York economist (during the days of ex-Commissioner Olds); and a Tulsa publisher joined a New England professor on decisions.*"

the commission and its activities. He became an invalid as the result of injury to leg muscles during a childhood illness. So, like the late President Roosevelt, he does his adventuring with his keen mind.

Smith approaches the subject of accounting with the reverence of a man who knows what a powerful tool he has in his hand. He will have you know accounting is more than a mere adjunct to some other type of regulation such as that affecting rates or securities. He emphasizes the point that accounting regulation is important *per se,* that it serves a dual purpose of an instrument of financial control as well as an instrument for supplying essential information.

As already indicated, the successful court record of FPC may be traced, in large part, to the so-called professional setup of the organization. Lawyers, engineers, and accountants each work as a team on whatever comes along. This setup may partly be responsible for the type of personnel attracted to the commission, as an individual has an opportunity to distinguish himself and perhaps work into an interesting position in industry. Some of the most successful private attorneys in the field of utility regulation got their training with the FPC. Former general counsel, assistant counsel, and even a former member can be counted among the "FPC Alumni" now practicing in Washington.

It is interesting to note, however, that Herbert Hoover's report criticized the "professional" setup and recommended the FPC be reorganized along "functional" lines. That is, one group would work on electric utilities, another on gas, and perhaps another on power. Hoover's suggestion has not, so far, met with much enthusiasm. The consensus within FPC seemed to be that such a change would defeat its own purpose by wasting man power. If a lawyer or an engineer can be switched from one case to another as the action moves around, it makes for greater economy in a relatively small but exceedingly busy commission.

## Lack of Phones Costly to Japanese Business

JAPAN *ranks thirtieth in the world in number of telephone owners. There are 1,200,000 instruments in the country or one and one-half telephones for every 100 persons, according to a survey conducted by the Economic Stabilization Board. The board noted that this contrasted with an estimated 60,000,000 telephones in the United States.*

*The statistics were compiled in connection with a long-range proposal to transfer the Japanese telephone system—a government monopoly—to private ownership. The Stabilization Board estimated that Japanese business suffered an annual loss of 40 billion yen (about $111,111,111) through limited use of the telephone, and calculated that a telephone in many offices could perform the work of two employees.*

# Do Utility Companies Need More "Show Shop"?

*Here is the story about an ex-Hollywood idea man, Guy Gifford, who helped an harassed transit system get its riders into happier frames of mind—made them realize that a public utility is an organization of humans who want to be helpful.*

BY JAMES H. COLLINS*

THERE is one important supply item that never comes under the appraising eye of the utility comptroller. He never asks "Are we paying too much for that—could we use a cheaper grade just as well—do we need it at all?"

For he never audits a bill for Ideas.

Yet some utility corporations use them to great advantage, while others are handicapped by never having them. One company stands well with its community because people regularly hear about it. Another is seldom heard of, and stands badly, and is regarded as unprogressive—though there are cases where the latter actually offers just as good service.

Call the difference showmanship.

Showmanship is made up mostly of ideas.

Where do you get ideas? How can they be used to promote good feeling for a utility company? The recent Christmas holiday season suggests an inspirational setting.

Christmas is coming, let us say. The cars are going to be crowded, the customers are going to be uncomfortable, the service is the nearest thing in sight, it will be damned.

What can an idea do in a predicament like that?

IT would be a bright idea to double the number of cars and busses during those three weeks. Impossible—even Santa Claus couldn't do it.

The public can be asked to ride between late morning and early afternoon hours, to stagger its shopping in between the regular traffic of people going to and from work.

But even so, they will be packed and jammed, and in the public relations department of the Los Angeles Transit

*Business editor and author, Hollywood, California. See, also, "Pages with the Editors."

Lines they hold that this is the usual idea, and something unusual is needed.

SHOWMANSHIP is needed.

Last Christmas this company got an idea with showmanship.

Asking the public to stagger hours simply stresses discomfort. Why not take their attention off the cars and busses, and pin it onto Christmas?

Christmas brings Christmas seals.

Why not paint up a bus, and let it roam around selling seals. Go where people are spending money, and have the Christmas spirit, and while they are picking out gifts, make it convenient to let go of a dollar for this cause, now inseparably linked with Christmas?

That was done, and it was a rousing success, and the way the idea was generated makes a good part of the story.

This company's relations department is headed by an ex-Hollywood idea man, Guy Gifford, who has a method. As a kid he needed money, and discovering that *Whiz Bang* paid for humor, aimed at selling Uncle Billy skits and sketches. For these, he needed ideas. Constantly in his mind was the thought, "What will *Whiz Bang* buy?" Later, he discovered that this was a formula for getting ideas from the subconscious mind, the Deeper Self . . .

The formula: To get ideas, pose your problem, ponder well, let "Hunch" get busy.

In this case, the idea of the Christmas seal bus came through.

What could shoppers do with the seals?

"How about sticking them on the bus?" suggested Hunch. "See how fast they can cover it up!"

NEXT idea job: Thinking up "business" for his brother and sister-in-law, pantomime dancers in vaudeville. The problem: What can a dance team do that is funny? "Bring them on as straight dancers," suggested Hunch. "Let the man accidentally step on the woman's foot, she retaliates, presently there is a foot-stepping match."

Then Hollywood, sitting beside a camera. What can a comedian do that will be funny—with his hands, his feet, his clothes?

With his hands, pick up a piece of gum and have trouble getting rid of it. With his feet, spy a blond, pursue, discover that it is his own wife, start a chase getting away. With his clothes, take funny things out of his pockets, a baby's bottle, a string of frankfurters, a bra.

The formula is as follows:

1. Clearly state your problem—why you need ideas. That seems to set the task for Hunch, and he goes to work on it, in his own way, and time.

2. Be on the lookout for solutions, the unexpected—you never know when he is going to pop up with an answer. Put opposite things together, see what happens.

3. Watch people, listen to them, talk with them, read about their doings—ideas have mostly to do with people.

4. Be critical of the ideas that come, they are "inspirational," apt to run away with you — seven times in ten they are duds.

SOMETHING spooky about it for a gas or electric company?

Businessmen generally leave "inspiration" to the artist, and writer, and

to women; pride themselves on thinking things out, step by step, working with equations.

Or do they, really?

Some years ago a quiz paper was sent around to scientists, the fellows who above all others are supposed to stick to equations. They were asked an impertinent question—did "inspiration" ever play any part in solving problems for them?

They came clean. More than half of these workers admitted that they got inspirational solutions—but added a scientific proviso:

Hunch seemed to go to work only on the problem that had been stewed over, had a lot of pondering put into it, appeared to be unsolvable. Then he comes up with an answer, at three in the morning as likely as not.

"The unconscious goes to work only over problems that are important to the waking mind, when the waking mind's possessor worries about them, and cares passionately," said one scientist.

"This unconscious work is not possible, or in any case not fruitful, unless it is first preceded and then followed by a period of conscious work," said another.

GIFFORD says he gets the best utility ideas when he is out among people, but seldom directly—people furnish episodes for the subconscious mind to work with. For others, ideas come through reading, in conversation. Was it Herbert Spencer who said that when he was occupied with a subject, almost the next person who came along would tell him something bearing on that subject?

There ought to be a strong tincture of "show shop" in utility company ideas, in Gifford's opinion. Selling, advertising, public relations, are in a rut; their ideas partake of the usual.

AS as an example of an unusual idea, he started with the contrast between a motorbus and a corpse—how to get a corpse on a bus was the problem posed, and it took a long time to find the answer.

It finally took the form of a transit cartoon. A hearse with a flat tire was drawn up beside a bus, its passenger was being transferred, and the undertaker's men said to the bus driver, "Don't worry, he'll pay his fare."

Utility corporations have pretty much the same troubles year after year. Popular opinion insists that the rates are too high, that the service could be improved, that the company makes too much money. Such criticism is partly kept alive by people interested in this-and-that, partly based on popular ignorance of the facts. The service is probably better, and there are arguments to prove it. The company hasn't made any money for several years, which can be demonstrated.

¶ "UTILITY *corporations have pretty much the same troubles year after year. Popular opinion insists that the rates are too high, that the service could be improved, that the company makes too much money. Such criticism is partly kept alive by people interested in this-and-that, partly based on popular ignorance of the facts."*

## DO UTILITY COMPANIES NEED MORE "SHOW SHOP"?

Like a good many other utilities, the Los Angeles Transit Lines have a heritage from the-public-be-damned days, hard to live down.

Arguments, facts, figures are mostly fuel to these controversies. If you can do something to convince the public that the company is a human being, with its peculiar troubles, and even failings, that creates better feeling.

Just now, there is a nation-wide rail-to-rubber problem in transit service. Whether it is habit, or what, rail passengers grouse about the substitution of busses, and there are some good reasons—busses generally go faster, are not as comfortable for reading.

Los Angeles Transit has done a great deal of converting since equipment was obtainable after the war, from rail to busses and also trackless trolleys.

"What can we do to put busses in a favorable light?" has prompted many of the ideas used the past three years, and one of the first was negative.

"A changeover starts with an application to the authorities to convert from rail to rubber," suggested Hunch. "Look at that application! It starts off with words like 'abandonment,' all about what the public thinks it is going to lose, nothing about what it is going to gain by rerouting, faster service. A legal department job."

The public first hears about such a change from the daily papers.

Daily papers get the news from the application, picked up by a reporter, who reads the first few sentences, gets the drift, and phones in his item.

Applications were reworded so that the busy reporter got the story of the new facilities rather than the details of abandonment, and this has headed off criticism.

As new bus lines were opened, new busses received, they were formally dedicated, with motion picture stars cutting as many as five strings at different community centers, ceremonies, public officials, lunches. Once in making up the schedule there was difficulty in fitting in the lunch.

"Serve it on the bus opening the route," suggested Hunch.

Last Christmas, the Downtown Business Men's Association asked for something in the way of bus service to their district, which had been decorated for the holiday season. Several busses were painted in candy cane colors, white with red stripes, put on routes reaching the business center, and attracted a lot of attention.

All year round the company runs a "Red Feather" bus on special trips for the Los Angeles Community Chest. This is any regular coach, to which removable red feathers are attached as wanted, and the Community Chest management commandeers it to carry parties to see things for themselves.

Example: The Suburndale Parent-Teacher Association did splendid work in the last Chest campaign, both in contributions and teamwork; the Chest suggests a trip of its members to see the work of an agency supported by its funds, the Red Feather coach is used for several hours, usually at an off-peak time, and there is a favorable public opinion tie-in.

Point: To tie in by helping community projects is to share in their éclat. All the more reason for a companion point: Never do it for publicity, or ask for publicity.

Another good idea that turned out

## Do Passengers Prefer Comfort or Speed?

"JUST *now, there is a nation-wide rail-to-rubber problem in transit service. Whether it is habit, or what, rail passengers grouse about the substitution of busses, and there are some good reasons—busses generally go faster, are not as comfortable for reading."*

negative was asking coach passengers on a much-traveled route if they were willing to pay a higher fare for special service.

THE local fare is 10 cents—would they pay a nickel more for express coaches that made few stops, cut time, might be less crowded?

Passengers were asked via questionnaire, and the response showed one and one-half against one "No."

Undoubtedly, transit companies will ultimately find a market for such extra-fare services, and this result is not considered final. After the vote was tabulated there arose the suspicion that the thing might not have been made clear. From the standpoint of operating costs to fares, express service has to pay its own way. Also, the response was not general, only one in four turning in the questionnaire.

It was and is a good idea.

"Show-shop" ideas generated by showmen seek some unusual way of calling attention to a show. The show has a star, she loses her pearls.

That kind of idea is needed in utility service, which also has a show to promote with the public.

This Los Angeles company has a long-run production called "transit geometrics," in engineering parlance. Under agreement with the city when franchises were renewed, equipment and service were to be improved over a 10-year period.

Since war's end more than 700 coaches, trackless trolleys, and streamliner rail cars have been put into service, with a great deal of rerouting, saving time, taking passengers away from congested areas, increasing facilities during peak hours. But all these changes go against habit, arouse opposition, call for explanation.

TRANSIT geometrics include things like "off-route" and "short-line" operating, to a master plan.

When a coach on a busy route

reaches the end of the line during peak hours, it takes a short cut back to the starting point, instead of going back over the whole route—"off-route" tactics, enabling it to pick up another rush-hour load right away. "Short-line" operating brings vehicles back to starting point in the same way, on congested routes practically doubling the facilities. The one-end streamliner trams have to be completely turned around at each end of the line, which is done by building rail loops that turn them fast—and they seat more passengers.

These innovations call for ideas, something out of the usual photographs of pretty girls in few clothes clambering all over the rolling stock, and one typical idea was interesting because it was unusual—and blew up.

To demonstrate that busses running through the heart of town made fast time, a race was arranged between a bus running on regular schedule and a private automobile driven by a racing speedster. Clocking of everyday traffic had shown that the bus would go the route faster than the automobile.

At one point the police were supposed to stop the speedster, and take the running time.

But a traffic jam elsewhere stopped the police, and the whole thing had to be soft-pedaled.

Showing that ideas, too, "gang aft a-gley."

Hunch will come through with ideas, but many of them are too bright, alluring, have that 3 AM glamor that disappears with the cold light of dawn.

So they have to be put to the acid test, criticized, rejected on points. The ability to do that comes mostly with experience. You have to see bright ideas fall down, backfire, with all the consequences, get hard-boiled by holding autopsies.

SOME ideas are just too clever, like the miniature windshield wipers for his specs that once intrigued Harold Lloyd—ultimately turned down because its very cleverness would draw attention from the story.

Other people can point out flaws in ideas. Pretty girl sitting in bathtub phoning her boy friend, alluring situation, show-shop way to have a message put over, telling her boy friend.

Fortunately that was passed upon by an ordinary electrical trouble shooter.

"Good way to get electrocuted—people might try it," he said.

Producing ideas seems to be a process, though perhaps some minds do not do it well.

The idea needs checking to such an extent that it might count as 10 per cent. The rest is criticizing, adapting, strengthening, working over details—with tongue in cheek.

---

*"IN sum, if we are to maintain the march of economic progress we must, individually and as groups, in private business and in politics, display industry, prudence, and self-discipline; recognize that we can't get more out of the economic system than we put in, that collective bargaining in good faith and on solid facts is the road to a workable distribution of total product, and that monetary and fiscal tricks have no power of magic but are a slippery road to misery."*

—EDWIN G. NOURSE,
*Former chairman, Council of Economic Advisers.*

# To Sell or Not to Sell –Appliances?

A survey of leading public utility company practices with respect to the local merchandising of gas and electric appliances in service areas throughout the nation.

BY DAVID MARKSTEIN*

IT was during the early days of the depression, when price-cutting competition began to bite deeply into the business of retail dealers, that the question of whether a utility ought to sell appliances became a rather controversial issue. Many readers of these pages will readily recall the major arguments on both sides of this question.

From the utility companies' side, it was argued that the gas and electric companies were primarily interested in promoting the wider sale of gas and electricity, through the spread of these appliances at the consumer level. It was further suggested that the appliance dealers, in all cases, were not pushing hard enough, that the utility companies had to act not only in their own business interest, but also for the benefit of other utility consumers who would profit through rate adjustment from any over-all load increase.

*For personal note, see "Pages with the Editors."

On the retail dealers' side, it was argued that the competition from the utility company was often unfair and unwarranted. Utility companies, they said, were in a position to extend long-term credit, at low rates, for financing —sometimes using the huge resources of their utility business operations to do so.

It was argued further that instalment billing, through the medium of the monthly gas or electric bill, was not only an admirable collection technique, but also an unfair one from a competitive standpoint. Utility customers sometimes got the idea that their utility service could be cut off, if they failed to pay promptly their monthly instalments on their appliance purchases.

AND so the controversy raged to the point where two states, Kansas and Oklahoma, in 1931, passed laws forbidding utilities to engage in the

sale of appliances or other merchandise. This was probably the peak of the so-called antimerchandising agitation. The Kansas law was declared unconstitutional by the highest state court in Capital Gas & Electric Co. *v.* Boynton.[1] The U. S. Supreme Court refused to review this.[2] The Oklahoma statute seemingly fell into disuse.

But, aside from the bare legality of the situation, or its possible regulatory limitations, a good many utility companies began thinking about the public relations risks involved. Dealer coöperative programs began to emerge, here and there. Then, with the passing years and recovery from the depression, sales resistance to the mass purchase of appliances melted away. This eased the tension considerably. Since the utility companies were primarily interested in getting the appliances into the field and onto the line of the consumer, the need for aggressive promotional campaigns directly by the utility companies diminished. More and more the sale of appliances became a matter of replacement and improvement, rather than putting new appliances into a home which did not have them before.

Then came the war years, with the curtailment of appliance manufacturing. Appliances became hard to get, in a sellers' market. Anybody who could get hold of new appliances could sell them like hot cakes. This situation continued through the early postwar years.

Now, once more, production has begun to catch up with demand. In some lines at least, the buyers' market is definitely here to stay for quite awhile. Daily newspapers are now featuring page-ad displays of appliance sales. Price cutting has once more reared its ugly, or beautiful, head—depending on the sellers' or buyers' point of view.

WHAT is the situation today with respect to utility company merchandise? Offhand it would seem that with both gas and electric companies striving to maintain or increase marginal reserve capacity over peak-load demands, there would not be too much pressure on them to promote more and more appliance sales. But the fact is both the gas and electric utility industries foresee, within the next couple of years, increased opportunities for sales of service. By the end of next year, according to a recent statement by the head of the Edison Electric Institute, the power shortage bugaboo should be definitely banished. Natural gas pipelines across the country are going down, every day, with record speed.

Thus, it appears that in the years immediately ahead, gas and electric utilities must again plan in terms of promoting the sale of both commercial and home appliances. To the electric utility, these are not so many mechanical contrivances, but kilowatt hours—increased load. The gas utility has a similar interest. But that deep interest poses the same old problem of

[1] (1933) 137 Kan 717, PUR 1933D, 435.

[2] A collateral effort to halt utility merchandising was made by the attorney general of Pennsylvania on the theory that the utility corporation is acting "*ultra vires*" (beyond the scope of its powers) when it sells appliances. This theory was rejected by the Pennsylvania Supreme Court in Commonwealth ex rel. Baldrige *v.* Philadelphia Electric Co. (1930) 300 Pa 577, PUR 1930D, 7. This same approach was more favorably received by the Texas courts. See State *v.* San Antonio Pub. Service Co. (Tex Dist Ct 1932) PUR 1932B, 337. Still another approach to the same end is the "antichain store" tax, whereby the state may levy a tax on multiple retail establishments operated by the same business interests.

the twenties and the thirties: If the job is left to the dealers they may not make as much of it as can be done. If the utility sells appliances direct to the consumer, the dealers usually do not like it at all. And, basically, the utility is not seeking extra profits from appliance sales. It wants the appliances in the homes and the factories, stores, offices, so they can use gas and electricity.

What, then, is the best policy? To sell appliances direct? Or leave that job to the men whose business it is—the dealers? Help the dealers to do a better job? If so, how? Both courses have proved effective for the nation's privately owned utility companies, for some of its Rural Electrification Administration coöperatives as well.

To find out what is being done, and why it is being done, and how, some eighty gas and electric utilities over the nation were asked to answer pointed questions regarding their policies in regard to appliances. Replies were received from thirty-three of these utility firms—a rather high percentage return, which gives a good indication of how "hot" a topic this is today. Appliance competition is getting stiffer and consumers are becoming increasingly cagey about parting with their ready cash to own new labor-saving mechanical servants.

The thirty-three gave answers to these questions:

Do you sell appliances direct?

Do dealers compete directly with you?

Is there any dealer resentment?

Do you aid dealers to get the sales? By tie-in advertising? By directing prospects to the dealers' stores? By providing training for the dealers' sales people? By conducting coöperative campaigns? By actively selling the convenience of modern appliances?

In addition to giving direct answers to these queries, the utility sales managers also offered some diverse—and usually to-the-point—comments explaining the reasons behind the policies they have chosen to follow.

The survey indicated that while there are more utilities that believe in selling appliances direct to the consumer than those which leave this job to the regular appliance dealers, furniture stores, and department stores, a substantial segment of the industry believes in avoiding local level competition. Thus, 20 major companies reported "yes" to the first question, with only 13 saying "no." However, only 19 of the 20 see themselves as competing directly with the dealers. J. L. Davidson, speaking for the Savannah Electric & Power Company, Savannah, Georgia, pointed out that "We do not consider them competition."

The third question (about "dealer resentment") was a touchy one. It brought forth many answers. Sev-

¶ *". . . it appears that in the years immediately ahead, gas and electric utilities must again plan in terms of promoting the sale of both commercial and home appliances. To the electric utility, these are not so many mechanical contrivances, but kilowatt hours—increased load. The gas utility has a similar interest."*

eral utilities which sell appliances direct to the consumer tended to reply in explanatory terms, instead of giving categorical answers. Asked, "Is there any dealer resentment?" the replies came this way:

Four said "yes," admitting that the dealers in their communities do not care for competition from the electric light and power company.

Ten reported "no," saying that, in their experience, the dealers do not particularly resent utility competition.

Two of the sales managers said that there is "not much" resentment.

Four reported that they frankly do not know whether their appliance-selling activities have stirred up hostility among the retailers in the field.

In the matter of helping dealers to get the sales—whether or not the utility itself sells appliances to consumers—the sales managers who answered this survey were nearly unanimous in concurring on the necessity of dealer aids for merchandising appliances—in spite of the usually effective activity in this field by the appliance manufacturers and wholesalers.

Twenty-five of the thirty-three utilities carry on a tie-in advertising program to help dealers in their communities line up and land the appliance sales. That is a pretty high average of coöperation. But there is much more along this line.

Seventeen of the group said that they assist dealers by directing prospects to the dealers' stores.

Twenty of the utilities provide training for the sales forces of the appliance retailers in their operating areas.

Nineteen reported that they conduct coöperative sales promotion campaigns for home and commercial appliances.

All except four of the utilities—29 out of the group of 33—said that they take steps to sell the convenience of modern appliances.

Here is the way the answers broke down along this line: For personal or company policy reasons, several of the sales managers preferred to remain anonymous. But all of them were frank in reporting upon the activities, experiences, and policies of their companies.

C. R. Stone, of the Maine Public Service Company, Presque Isle, Maine, reported a "yes" to question number one: "Do you sell appliances direct?" Mr. Stone admitted that the dealers compete directly with the Maine Public Service Company in going after appliance sales. Asked whether there was any dealer resentment, Mr. Stone answered that this was a question he could not answer. The Maine Public Service Company does these things to aid dealers in getting appliance sales, in addition to making direct sales of appliances to consumers and businesses: It provides training for the salesmen of the appliance retailers. And the utility actively sells the convenience of modern appliances.

From west of the Rocky mountains, one utility executive reported that it is not the policy of his company to sell direct, or to compete with the appliance dealers in his city. However, the utility does carry on a coöperative advertising program to assist the retailers. It directs prospects to retail stores, and provides training for retail salesmen. Last, it actively merchandises the ease and convenience of living with modern appliances doing the work.

## The Incentive to Merchandise Appliances

"OFFHAND *it would seem that with both gas and electric companies striving to maintain or increase marginal reserve capacity over peak-load demands, there would not be too much pressure on them to promote more and more appliance sales. But the fact is both the gas and electric utility industries foresee, within the next couple of years, increased opportunities for sales of service."*

This sales manager noted that "Coöperation with appliance dealers is the best answer to the problem of building better customer relations. They naturally become a group of sales representatives who justify utility rates and service policies."

C. A. Root, of the Pacific Power & Light Company, Portland, Oregon, stated that his company does not sell appliances or compete with dealers for the consumer-buying dollar. Noting that "We are not particularly active on promotional projects right now," Mr. Rost reported that the Pacific Power & Light Company has a training setup for the sales forces of the dealers; and that it tries to sell modern living with modern appliances; but directs prospects to the regular retail stores when they want to buy.

ANOTHER utility which does not sell appliances is the Carolina Power & Light Company, Raleigh, North Carolina. H. G. Isley of this utility told, however, of a dealer coöperation plan which features tie-in advertising, directing prospects to the dealers' stores, a training program for the salesmen working in appliance outlets, and an effort to actively sell the convenience of owning more and better modern appliances.

A midwestern utility company which sells direct, and in competition with dealers, reported that there is "not too much" resentment from the retailers in its area. This utility has a program for aiding the dealers to land the sales. The program embraces advertising which ties in with the advertising of appliance outlets; an effort to sell consumers and commercial users on the economy and convenience of appliances; a training plan for helping to make better sales people out of the dealers' sales forces; coöperative cam-

paigns which work with the dealers to drum up interest in appliances; and direction of prospects to the dealers' stores.

Out in the West, another utility, which does not sell direct, does, however, try to direct and aid the dealers in getting more sales. Answers given to these questions were the same as those of the midwestern utility quoted above—tie-in advertising, coöperative campaigns, sending prospects to the dealers, sales training, and vigorous selling of the convenience angle of modern appliances.

F. E. Bescher, general sales manager of the Interstate Power Company, Dubuque, Iowa, reported that his company does sell direct and in competition with the dealers of Dubuque. About the matter of dealer resentment over the utility's competition in retail selling, Mr. Bescher noted that there is doubt, but that there is "none we know of." Selling direct does not end the efforts of the Interstate Power Company to put more appliances into more homes and commercial establishments. This utility sells appliance convenience institutionally to aid dealers in landing sales. In addition, the Interstate Power Company carries out coöperative advertising. It also has a sales training program for the employees of the dealers.

The Central Illinois Light Company in Peoria, Illinois, likewise sells direct to consumers and commercial appliance customers, in competition with the dealers. However, there is not "any great amount" of dealer resentment, this utility reported. Tie-in advertising is used to help the dealers, too, get the appliance sales and, in addition, the Central Illinois Light Company actively sells the convenience of modern appliances.

A Colorado utility also reported that it sells appliances direct to their ultimate users, in competition with retailers who, the sales manager noted, resent the utility company's competition. However, he said, its interest is not all in selling the appliances. Part of its effort goes into assisting the dealers to close more appliance sales. Active selling of the convenience angle and a tie-in advertising program are steps which this western utility takes to aid the dealers in its district.

Another utility which is in the appliance retailing business is the Wisconsin Hydro-Electric Company, located in Amery, Wisconsin. There is "no" dealer resentment, this report noted. Cooking schools are a measure which the Wisconsin Hydro-Electric Company takes to merchandise appliances—for dealers as well as for itself. Other measures are active selling of appliance convenience and easy living; a tie-in advertising program; and directing prospects frequently to the dealers' stores in spite of the fact that the utility, too, sells appliances.

From Lincoln, Nebraska, Everett Baxter of the Central Electric & Gas Company reported that, although the utility sells appliances on its own, its "Home Service Department contacts all customers who purchase ranges from dealers to show customers how to use same to best advantage." In addition, Mr. Baxter noted that the Central Electric & Gas Company has a coöperative dealer advertising program to aid the retailers in getting sales, and that sales training is provided for the

dealers' sales forces. Finally, Mr. Baxter said, the utility conducts coöperative special campaigns.

E. M. NOTTESTAD of the Northwestern Public Service Company, Huron, South Dakota, said, despite the fact that his company sells appliances and competes with Huron retailers, there is no resentment among these dealers. A reason for the lack of resentment may be the fact that the Northwestern Public Service Company helps the dealers as well as itself by conducting coöperative selling campaigns, providing training for the dealers' sales people, and tying in with dealer advertising of gas and electric appliances.

The Kewanee Public Service Company, Kewanee, Illinois, sells only major appliances, and, although it competes with Kewanee dealers in doing so, the dealers have a clear field in so-called "traffic" appliances. They do not bridle against the utility's competition, Vice President Williams said. Taking steps to sell modern appliance convenience and so help the dealers to do a better job, the Kewanee Public Service Company runs tie-in advertising, and directs prospects to dealers' stores.

In Clinton, Connecticut, the Clinton Electric Light & Power Company leaves the field of appliance retailing strictly alone. It does, however, direct appliance prospects to the regular stores by way of aiding the dealers.

"Yes and no" was the answer on dealer resentment given by J. T. Jones, merchandise manager of the Empire District Electric Company in Joplin, Missouri. Mr. Jones reported that his company does sell appliances in competition with dealers. However, it strives to aid the dealers. Steps taken to accomplish this objective include active sales promotion of the convenience, pleasure, and economy to be had from modern appliances; conducting coöperative campaigns, coupled with tie-in advertising; sales training that the dealers can use to their own advantage; and—despite the fact that the utility sells appliances—direction of many prospects to the dealers' doors.

F. J. FAIRMAN of the Kentucky Utilities Company, Lexington, reported: "We discontinued merchandising (of appliances) in 1942. Prior to that date, we had a dealer coöperative program." So, with all of its eggs presently in the dealers' baskets, the Kentucky Utilities Company is out to sell the convenience of the appliances which consumers and business prospects may buy from the regular dealers. It supervises coöperative promotions. Sales training is provided for the dealers employees, and prospects who come to the utility offices to buy are directed to

¶ "To *find out what is being done, and why it is being done, and how, some eighty gas and electric utilities over the nation were asked to answer pointed questions regarding their policies in regard to appliances. Replies were received from thirty-three of these utility firms—a rather high percentage return, which gives a good indication of how 'hot' a topic this is today.*"

the regular appliance outlets. "Some dealers tie in with our own advertising," Mr. Fairman said. "Our advertisements all carry the slogans: 'These are on display at your local dealer.' 'See your local dealer.' 'Buy from your local dealer.' "

An Ohio electric power company which does not sell direct reported that it offers tie-in advertising to the dealers, and helps to put coöperative promotions over for groups of dealers. A sales training program is available to dealers who wish to have their salesmen taught competitive techniques and methods in a hard-to-sell situation. The utility takes many active steps to sell appliance convenience. Examples of what it is doing can be seen in the ads it runs. One timed to the football season, urged housewives to enjoy themselves at the games and rest assured that "dinner will be on time."

Another ad pointed out that "You are the master of your menu with a home freezer." Other ads which appeared recently plugged electric shavers, better home lighting, and the ease of electric cooking. All carried notations advising the readers to see dealers for the appliances and fixtures.

Although the Lynn Gas & Electric Company of Lynn, Massachusetts, is in the business of retailing appliances, its report noted that the company also strives to assist regular retailers of appliances to do a better merchandising job.

E. T. Moore, of the Virginia Electric & Power Company, Richmond, noted that in place of selling direct to users, the Virginia Electric & Power Company has a staff of fifteen home economists who give demonstrations to sell the appliances off the dealers' floors. In addition, Mr. Moore said, the company uses dealer tie-in advertising, and it runs coöperative campaigns on particular appliances from time to time. Prospects are directed to the stores, whose salesmen, often, are the "graduates" of a sales training course run by the utility.

"Yes," said a Missouri utility, "we sell appliances direct, and in competition with dealers. No, there is no dealer resentment." To aid the dealers in getting their own shares of the consumer's dollar, this utility conducts coöperative campaigns, takes every possible step to actively sell modern appliance convenience, and provides sales training for the regular retail sales people. Tie-in advertising opportunities are offered to dealers.

J. L. Davidson of the Savannah Electric & Power Company, Savannah, Georgia, pointed out that, although the utility sells appliances direct, the dealers in its experience do not resent the competition. Said Mr. Davidson: "We don't consider them competition." But the Savannah utility also assists retailers to sell the load-consuming appliances. It does this by plugging at the solid convenience (and long-range economy) of letting appliances do the work, by conducting coöperative campaigns, and tie-in advertising programs.

"We use tie-in advertising. We direct prospects to the dealers' stores. We help the dealers to make better salesmen out of their employees. We conduct coöperative campaigns, and make every effort to continually sell appliance convenience," reported C. J. Bryan, of Kingsport Utilities, Inc.,

## Birth of the Merchandising Controversy

*"It was during the early days of the depression, when price-cutting competition began to bite deeply into the business of retail dealers, that the question of whether a utility ought to sell appliances became a rather controversial issue. . . . From the utility companies' side, it was argued that the gas and electric companies were primarily interested in promoting the wider sale of gas and electricity, through the spread of these appliances at the consumer level."*

Kingsport, Tennessee. This utility, Mr. Bryan noted, does not sell appliances, concentrating its efforts upon aiding the regular retail outlets to do a better merchandising job.

The Georgia Power & Light Company, of Valdosta, Georgia, is another utility which does not compete with regular retailers by selling appliances direct to their ultimate users. This company has no regular dealer aid plan.

A utility in New York state which likewise leaves the retailing business to the appliance retailers does, however, carry on these programs for needling sales of appliances off the retail stores' floors: A sales campaign based upon appliance convenience. Directing prospects to the stores where appliances are sold. Coöperative campaigns and promotions in which the utility coördinates the efforts of the retailers in putting over a special sale. Training programs for the retail sales people.

The El Paso Electric Company of El Paso, Texas, competes with the dealers of El Paso by selling appliances but finds no resentment among the retailers on that account. In addition, it has five programs for helping dealers to get the sales: Tie-in advertising; coöperative campaign direction; sending prospects to the stores; providing training for salesmen; and a continuing institutional campaign selling modern living with modern appliances.

Florida Public Utilities of West Palm Beach has no dealer coöperation program "at present," but it does sell kilowatt hours through sales of appliances by offering these direct to the consumers and business users.

An Oklahoma utility makes no effort to sell direct. But it does have a

working dealer coöperation program. Part of this program involves a general selling of the convenience of the appliances which consumers may buy from regular dealers. Dealers are offered tie-in advertising, and the utility spearheads coöperative promotions. All prospects who come to its offices are directed to regular outlets. To help these outlets do a better sales job, training programs are available for the dealers to use in making better sales closers of their employees.

L. L. Gann of the Colorado Central Power Company, Englewood, Colorado, pointed out that the utility sells appliances direct "in one district only." There is some dealer resentment of this, Mr. Gann noted. He cited three steps which the Colorado Central Power Company takes to assist dealers in all districts to get more appliance sales. These are: "Conducting coöperative campaigns. Tie-in advertising. Directing prospects to the stores."

GULF STATES UTILITIES COMPANY, Beaumont, Texas, sells appliances in competition with the dealers. Asked whether the dealers resent this, the utility answered "yes and no." But its load-selling efforts are not confined to direct selling. By way of dealer coöperation, the Gulf States Utilities Company helps to train dealer salesmen; runs coöperative campaigns, with tie-in advertising opportunities for the dealers; directs many prospects to dealers' stores; and both advertises and sells the over-all advantages of living with appliances doing the work.

A Florida utility which sells to consumers noted that it could not say definitely whether the dealers resent the policy or not. It has a sales promotion campaign aimed at selling appliances for all outlets as well as itself.

C. I. Dwinell of the Cambridge Electric Light Company, Cambridge, Massachusetts, told of direct selling by his company, but reported that there is "no" dealer resentment. To sell appliances institutionally for everyone concerned, the Cambridge Electric Light Company conducts consumer campaigns coöperatively. It provides tie-in advertising. Finally, it sells convenience of appliances in addition to selling itself as the place to buy them—thus assisting dealers to get the sales, too.

The Dayton Power & Light Company, Dayton, Ohio, sells electric ranges and electric water heaters only, according to E. D. Smith, who remarked that there is "not any serious resentment" among the appliance dealers of the Ohio city. Other appliances are sold only in the stores, and to help make more consumers ask for them, the Dayton Power & Light Company actively sells the convenience of all appliances. It also conducts coöperative campaigns, and tie-in advertising programs. Prospects are directed to the dealers' doors.

THE Duquesne Light Company, Pittsburgh, does not sell in competition with dealers, noting that "In a nonmerchandising operation our policy is one of direct promotional assistance for our dealer organization." All five steps are taken to assist the dealers. The utility's offices have three "centers" which are used as demonstration units where consumers may get a graphic view of what appliances can do for them. There is an electric cooking center, an electric refrigeration

center, and an electric dishwashing center.

What is the best policy, as seen in the experiences of these thirty-three power and light companies? Their reports seem to indicate that there is no "best" way of increasing the load by increasing the number of appliances in use. A majority—but not a large one—favors direct selling. However, almost all of the companies agreed that, whether or not appliances are offered in competition with dealers, active aid to the retailers of the operating area can help a lot to sell kilowatt hours.

## Rare Remedy Sought in Merchandising Case

A RARELY *used legal procedure which traces its origin back to pre-Revolutionary British jurisprudence was recently employed in a suit in Washington, D. C., to test the right of the Washington Gas Light Company to sell and install gas appliances. The name of this procedure—which is classified as an "extraordinary writ"—is couched in the classical Latin phrase* QUO WARRANTO *(*I.E., *"by what authority?"). Such a proceeding was usually invoked to question the legality of actions or conduct of public officials or others purporting to act by virtue of governmental authority—especially in cases where there was a claim that the authority sought to be exercised has been wrongfully usurped, or was otherwise without proper qualification.*

*The suit against the Washington Gas Light Company was brought by a Washington plumber and appliance dealer in a representative capacity for approximately 300 other plumbers and dealers in the District of Columbia. Basis for the suit was the claim that the corporate charter of the Washington Gas Light Company (originally granted by Congress slightly more than a century ago) properly confined the company to manufacturing and sale of gas to the public and did not authorize the sale or installation of appliances. A somewhat similar attack was unsuccessfully made by the attorney general of Pennsylvania against the Philadelphia Electric Company in 1930, in which the court held that the sale of appliances was "incidental" to the powers granted to the utility corporation in its charter and was not* ULTRA VIRES *(outside the authority of the corporation).*

*In a preliminary ruling in the Washington Case, however, U. S. District Court Judge David A. Pine overruled a motion of the Washington Gas Light Company to dismiss the suit. The gas company contended, among other things, that the extraordinary writ of* QUO WARRANTO *could be brought only by a public official acting within the scope of his official capacity. Whether Judge Pine's ruling will be appealed or whether the case would go to trial on its merits in the U. S. District Court was still undecided at this writing.*

# Washington and the Utilities

## *Public Power to Expand*

PRESIDENT Truman's initial messages to the second session of the 82nd Congress—State of the Union, and Budget—are of broad significance to the entire nation, and to the public utilities in particular. In the former he made it very plain that the Fair Deal administration will pursue a program of ever broadening Federal power activities; in the latter he took steps to implement the program with requests for more funds to carry it out.

### *Socialist Concept?*

In his State of the Union address, the President gave unstinted praise to his administration and the Democratic party for the nation's economic progress of the past fifty years, but did not pass on any of the credit to industry or business as such. Although he did not use the term "welfare state," Mr. Truman made one significant statement that might reasonably be termed socialist in concept, in that there is plain implication that the industrious must, through beneficent government, support the laggards in our midst.

"The ideal of equal opportunity," he said, "no longer means the opportunity which a man has to advance beyond his fellows. Some of our citizens do achieve greater success than others as a reward for individual merit and effort, and this is as it should be. At the same time, our country must be more than a land of opportunity for the select few. It must be a land of opportunity for all of us." He followed this with the declaration that the growth of the nation's well-being in the past fifty years has come about, "not by concentrating the benefits of our progress in the hands of a few, but by increasing the wealth of the great body of our citizens."

### *Resources and Power*

GOVERNMENT investment in the conservation and development of our resources is necessary to the future economic expansion of the country, the President said in his State of the Union message.

Mr. Truman declared that, to bring this about, we need to enlarge the production and transmission of public power. "This is true," he continued, "not only in those regions which have already received great benefits from Federal power projects, but also in regions such as New England where the benefits of large-scale public power development have not been experienced."

Stating that, in our hydroelectric undertakings, we must continue "policies to assure that their benefits will be spread among the many and not restricted to a favored few," the President then urged immediate authorizing legislation for the St. Lawrence seaway and power project, and for the establishment of a Columbia Valley Administration. In his Budget message, the President noted that he anticipated an appropriation of $4,000,000 for the St. Lawrence project, presumably for preliminary planning.

Other portions of his State of the Union message were largely repetitions of his Fair Deal program as outlined to the Congress at the opening of the first session in January, 1949, and can be regarded as a political gesture designed to supply campaign material for the 1950 and 1952 elections.

## *Bureau of Reclamation*

Activities of the Bureau of Reclamation will be limited in 1951 to continuation of projects started in prior years, the President said in his Budget message, adding that these projects will require an expenditure increase of $64,000,000 over 1950. In addition, he added, continuing progress on the existing programs of the Bonneville and Southwestern power systems will result in a further increase in transmission facilities. For Bonneville he asked an appropriation of $47,350,000, a sharp increase over the 1950 appropriation of $30,498,435. Most of the nearly $17,000,000 hike is for transmission facilities. A $10,500,000 request was made for Southwestern, the major portion of it to liquidate contractual authority for new transmission lines approved during the first session.

### *Army Civil Functions*

The President also limited activities of the Corps of Engineers to projects already under way, but said expenditures on these projects in 1951 would be $77,000,000 greater than in 1950. He assigned no specific reason for the increase, but said the stepped-up expenditures, of both the Engineers and the Bureau of Reclamation, will result in "materially increased power facilities in the next few years."

Passed by the House, but still pending in the Senate, is the $1.1 billion Flood Control and Rivers and Harbors Bill, which includes authorizations for a number of multipurpose projects totaling almost 2,000,000-kilowatt generating capacity. Because of "back home" pressure for economy in government, there is little likelihood of appropriations during this session for projects contained in the House bill.

Meanwhile, Representative Mike Mansfield (Democrat, Montana) has dropped in a bill (HR 6551) to authorize the construction of the Libby dam, a $267,000,000 project on the Kootenai river, Montana, with an ultimate installed capacity of 980,000 kilowatts.

## *Tennessee Valley Authority*

For TVA the President asked a net $44,000,000 increase over the 1950 appropriation, "notably for an expansion of power facilities to meet the growing needs of the atomic energy program." Major TVA expenditures for 1951 were given as $39,915,000 for continuation of construction of the steam plant at Johnsonville; $28,919,000 for transmission and other electric plants; $15,400,000 for continued construction of a steam plant at Widows Creek, Alabama; $13,993,000 for continued work on six hydro-generating units now under construction in existing dams; and $6,982,000 to begin construction of two dam and reservoir projects on South Fork of the Houston river.

### *Regulatory Agencies*

Administrative funds for Federal regulatory commissions would be increased in the new budget. The Federal Communications Commission would get $6,914,000, an increase of $177,000 over 1950, principally for research and new equipment in the field of television. The Federal Power Commission request was upped $350,000 to $4,494,000 with the explanation that there is a need for a "slight increase in personnel" and because the "rapid increase in the natural gas industry since the conclusion of the war has greatly increased the commission's work load and responsibilities." The Securities and Exchange Commission would get $6,425,000, an increase of $594,300, also for an anticipated heavier work load.

### *Excise Taxes*

The President made no direct reference to excise taxes in the State of the Union message, but said there should be some revision in the tax structure to "reduce" inequities. He promised a special message on the subject at an early date. Meanwhile, more than a score of House members—Republicans and Democrats—jumped on the "Repeal-the-Excise-Tax Bandwagon," introducing a like

number of bills to accomplish this purpose.

Some of the measures were for outright repeal of all wartime levies, tobacco and beverages excepted, others would merely reduce them, while a third group selected only those taxes on transportation and communications. The House Ways and Means Committee is not apt to consider any of these measures separately, but will give them collective thought in writing a new internal revenue code for 1951.

### *Water Resources Commission*

In a surprise move to find a Federal job for Leland Olds, former FPC commissioner who was rejected for a third term by the Senate in the closing days of the first session, President Truman, by executive order, has created a Water Resources Commission. Just what the functions of this new commission will be are not clear at this time, but the President hinted that it would make "recommendations later this year" on present Federal policies for water resources. These recommendations doubtless will be the basis for new legislation to bring about a liberalization of Federal policies on reclamation loans and new projects. Almost coincidental with creation of the new body, the President recommended "initiation of research to find means for transforming salt water to fresh water in large volumes at low cost."

### *East Ohio Gas Case*

THE Supreme Court's 5-to-2 decision holding that a natural gas distributor, even though operating wholly within a single state, is subject to Federal Power Commission regulation because it accepts high-pressure wholesale supply requirements at the state line, will bring renewed efforts to amend the Natural Gas Act so as to exempt intrastate gas operations from FPC control. Senator John W. Bricker (Republican, Ohio) and Representative John McSweeney (Democrat, Ohio), have pending almost identical measures to spell out statutory exemption of such natural gas companies from FPC jurisdiction.

Senator Bricker has emphatically declared that he will press for early action by the Senate Interstate and Foreign Commerce Committee. He said the East Ohio decision could presage an end to state regulatory bodies, substituting the "dead hand of Washington bureaucracy." Because of his party ties and the present organization of the House, Representative McSweeney may be able to get faster committee action on his bill. However, White House hostility to any curbing of FPC's powers dims chances for favorable action on either bill this year.

### *Fuel Policy Committee*

REPRESENTATIVE Ivor D. Fenton (Republican, Pennsylvania), describing the state of the nation's petroleum reserves as "critical," has introduced a resolution (HCRes 151) calling for the creation of a Joint Congressional Committee on Fuel Policy to study and report to Congress the "complete" facts regarding available fuel reserves in the United States. In presenting the resolution, Representative Fenton said the enormous increase in domestic and industrial consumption of petroleum and natural gas has endangered the defense position of the country.

### *Labor Control Legislation*

THE move of Senator A. Willis Robertson (Democrat, Virginia) to bring certain labor practices within the purview of the Sherman Anti-Trust Act, making labor unions subject to injunctive procedure when they "unreasonably" restrain interstate commerce or conduct themselves in a manner detrimental to the economy of the nation, will get no further than the hearing stage during the present session. However, full and complete hearings before the Senate Judiciary Committee have been assured, something that would not be possible had the Virginian offered his measure as a straight labor bill.

# Exchange Calls And Gossip

### *REA and Telephones*

IN his Budget message, the President said that approximately 78 per cent of all farms are now electrified, but he did not mention the fact that nearly half (43 per cent) get their power from private utilities and other non-REA-financed sources. He then recommended new loan authority for REA of $450,000,000, with $50,000,000 available for the rural telephone loan program.

Meanwhile, REA is receiving applications for rural telephone loans at an increasing rate, having approximately 1,200 on hand "for processing." Although loan application forms are relatively simple and remarkably free of government "gobbledygook," REA's instructions to borrowers and outline of policies make it plain that borrowers will have to put up plenty of equity security and submit to considerable supervision to get REA loans. October 28th of this year will mark the deadline for preference to applications of existing telephone systems.

### *Gets Phone Co-op Bill*

A BILL which would create telephone coöperatives for rural users was placed before the Virginia Senate last month. It would set up telephone coöperatives on a basis similar to the electric coöperatives which now channel electric current to rural users through access to funds borrowed from the Rural Electrification Administration.

The bill was sponsored by Senators Charles T. Moses, of Appomattox; George Marvin Warren, of Bristol; and George W. Palmer, of Prince Edward. It was referred to the committee on general laws.

It would authorize the telephone coöperatives to merge, if they desired, with the existing electric coöperatives.

### *Ten-cent Phone Calls Set*

THE New York Public Service Commission, in a precedent-making decision, recently authorized the Rochester Telephone Corporation to increase from 5 to 10 cents the rate for local calls from coin-box telephones. It was the first increase in local pay phone rate ever permitted by the commission to companies operating in New York state and was scheduled to take effect ten days after new tariffs were filed with the commission.

The New York Telephone Company, a member of the Bell system, has asked the commission to permit charges of 10 cents, instead of 5, for local calls from public telephones, to take effect in the fall of 1950. The commission had indicated earlier its apparent sympathy with such an increase.

The Rochester increase was granted in the fixing of final rates for the Rochester Telephone Corporation, which is expected to net additional revenue of $645,000 annually.

### *Seeks Permission to Raise Rates*

SOUTHWESTERN BELL TELEPHONE COMPANY recently filed an application with the Dallas, Texas, city council for permission to raise its rates in the city of Dallas, ranging from 20 per cent to 58.8 per cent.

C. L. Stewart, division manager, said the requested higher rates were scaled to give the company earnings of 7 per

cent on the $48,000,000 valuation it places on its Dallas properties. The proposed new rates would boost gross revenues by $4,313,400 annually, it was said.

Southwestern Bell is not earning a "fair return upon a fair value" of its properties in Dallas on the present charges for telephone service, Mr. Stewart said. The company's net income in 1949 from operations in Dallas, it was stated, amounted to 1.81 per cent of the property valuation.

In its application, Southwestern Bell said investment money must be obtained to meet expansion needs. "Telephone earnings in Dallas today," it was stated, "are far too low to insure a continued steady flow of new investment dollars so urgently needed if telephone service is to keep on growing with Dallas."

Present telephone rates in Dallas have been unchanged since 1941, when the city negotiated a decrease from the rates that had been established in 1921.

### *Cities Assail Rate Boost*

Six Ohio cities accused the Ohio Public Utilities Commission last month of committing 15 errors of law and fact in allowing the Ohio Bell Telephone Company to charge higher rates. The accusations came in a brief filed with the state supreme court.

The cities, Cleveland, Columbus, Akron, Canton, Toledo, and Dayton, appealed the higher rates several weeks ago. The recent briefs supported that appeal.

The state commission granted the increase to Ohio Bell last March 28th. The commission said it would give Ohio Bell additional annual revenue totaling $8,450,000.

The cities contend the commission erred in allowing the telephone company certain amounts for reproduction and depreciation costs and that it allowed too much for Ohio Bell's advertising expenses for the "test year." This test year was used as a basis for determining the company's need for a rate increase.

The brief said the commission allowed as legitimate operating expense "an extravagant noncontributory pension plan without any supporting actuarial evidence, which plan was admitted to provide for extravagant pensions for the company's higher salaried employees."

### *Commission Rejects Phone Rate Table*

A survey showing that Baltimore, Maryland, telephone rates are higher than in fourteen large cities and are "out of line" was rejected as evidence by the Maryland Public Service Commission during a telephone rate hearing last month.

Offered on behalf of the city of Baltimore by John J. Ghingher, Jr., assistant solicitor, the survey included rate schedules of large cities throughout the nation. The commission upheld the objections of the Chesapeake & Potomac Telephone Company, presented through its attorney.

By a 2-to-1 vote, the commission ruled that the survey, which Mr. Ghingher said was based on a "value of service factor" and showed the local rate situation "was out of line," was not admissible. John H. Hessey, commission chairman, who delivered the majority opinion, said the survey "while interesting in itself, cannot furnish any basis on which this commission can predicate any decision in this case."

### *Phone Strike Threatened*

A nation-wide strike of American Telephone and Telegraph Company workers by the end of February—in some instances, before—has been threatened by A. T. Jones, vice president, Communications Workers of America (CIO), "unless satisfactory pay boosts and other contract improvements" are negotiated prior to that time.

In a prepared statement recently released in Washington, Jones declared the union is demanding "a substantial wage increase, shorter apprentice periods, and a shortened workweek to offset

technological unemployment." He added that the union is making its wage demands only "in general terms," preferring to work out actual amounts around the bargaining table.

Declaring the Bell system to be notorious as the last remaining citadel of antiunionism in America, Jones said, "If we have to strike to obtain decent wage treatment, respectable working conditions, and to bring about a healthier union-management relationship, we will."

An unidentified spokesman for AT&T promptly replied to the threat with the observation that operators who started with the Bell system in 1941 are in general receiving wages about three times as great as those received eight years ago.

Employees of the Bell companies "get more than good wages," the spokesman continued. "Their work is steady and regular. They get holidays with pay and paid vacations and in addition receive sickness, accident, and death benefits plus service pensions with all costs paid by the company."

After noting that the current cost of wage increases placed in effect throughout the Bell system during and since the war is about double the amount of telephone rate increases granted so far, the spokesman declared any general wage increase now would have to be paid by telephone users.

"It is obviously unfair to ask telephone users to pay for further wage increases when our wages and working conditions are already among the best," the spokesman concluded.

## *Telephone Statistics*

At the beginning of 1949, there were nearly 66,000,000 telephones in the world—an all-time high—according to the new issue of *Telephone Statistics of the World,* released by the American Telephone and Telegraph Company last month. Of the more than 5,000,000 telephones added in 1948, 69 per cent were gained in North America.

The United States, with over 38,200,000 telephones, or nearly three-fifths of the world's total, on January 1, 1949, had 26.1 telephones per 100 population. (The United States today has about 40,500,000 telephones.) Sweden was second in telephone development, with 22.1 telephones per 100 people, and Canada third with 18.8 instruments for each 100 persons.

New York continued to lead the world's cities in telephones, with 2,768,567 instruments at the beginning of 1949. This was more than in any *country* in the world except the United Kingdom.

San Francisco had more telephones per capita than any other city—about one for every two persons, or twice the national average. Outside the United States, Stockholm led the world's cities in per capita telephone development, with 45.5 telephones per 100 population, while Toronto led Canadian cities with 38.2 telephones for every 100 people.

America continued to be the "talkingest" nation, with more than 50 billion telephone conversations in 1948, or an average of 346.3 per person. This was an increase of 29 conversations per person over 1947.

## *Independent Learner Wage Revision*

Plans to amend present regulations governing employment of learners in the independent telephone industry under special provisions of the Federal Wage and Hour Law have been announced by Labor Secretary Tobin. The changes, including establishment of subminimum wage rates, are made necessary because of the 75-cent minimum wage and other amendments to the act which became effective January 25th.

William R. McComb, administrator of the Labor Department's wage and hour and public contracts divisions, has stated in a formal notice published January 12th in the *Federal Register* that he proposes to increase the rates to 60 cents an hour for the first 320 hours and 65 cents an hour for the next 160 hours of the training period. Present learners' wages are 30 cents per hour for the first 320 hours, and 35 cents per hour for the remaining 160 hours.

# Financial News and Comment

By OWEN ELY

## *Vast New Public Power Projects*

In the last issue of this department we discussed the growth of TVA and the huge losses which it incurs (on a proper bookkeeping setup) as a result of the widely diversified welfare work which it conducts in the Tennessee valley area. Whatever operating "profits" are being made from the production of electricity are dumped into a maze of philanthropic and development ventures designed to "uplift" this section of the country. While other public power ventures thus far have not carried the "welfare" idea to the same extremes as TVA, nevertheless the other huge valley projects now proposed by the administration would seem to open the door to a great variety of welfare projects of all kinds, reminiscent of the WPA and PWA adventures. The rapidly increasing expenditures for "natural resources" are shown in the accompanying chart, page 175.

Since 1920 the generating capacity of publicly owned utility plants has increased 16 times compared with less than four times for privately owned utilities; and during 1940-1948 it increased 100 per cent compared with 33 per cent for private power. (These figures do not include 1949 gains, which were probably about equal for both sections of the industry.) Of the total public power in 1948, about half was Federal; 36 per cent municipal; 12 per cent coöperative, power districts, and state projects; and 2 per cent miscellaneous. Most of the municipal plants are steam, while on the other hand almost the entire Federal construction has been hydroelectric. Thus while only one-fifth of private capacity uses water power, about 60 per cent of public power is hydro. Private utilities have been discouraged by rigorous regulation from developing hydro resources, while the Federal government has been able to do so because of broad interpretation of "navigation and flood-control" powers.

While the Federal government is largely a wholesale power generator with a negligible amount of retail business, it frequently "teams up with" REA co-ops, municipal plants, etc., in the distribution of electricity. TVA originally tried to acquire larger distributing facilities from the Commonwealth & Southern system but finally effected a compromise. In the Northwest, Bonneville's Dr. Raver took an active interest in past proposals to sell Puget Sound Power & Light to Seattle and the public

Department Index

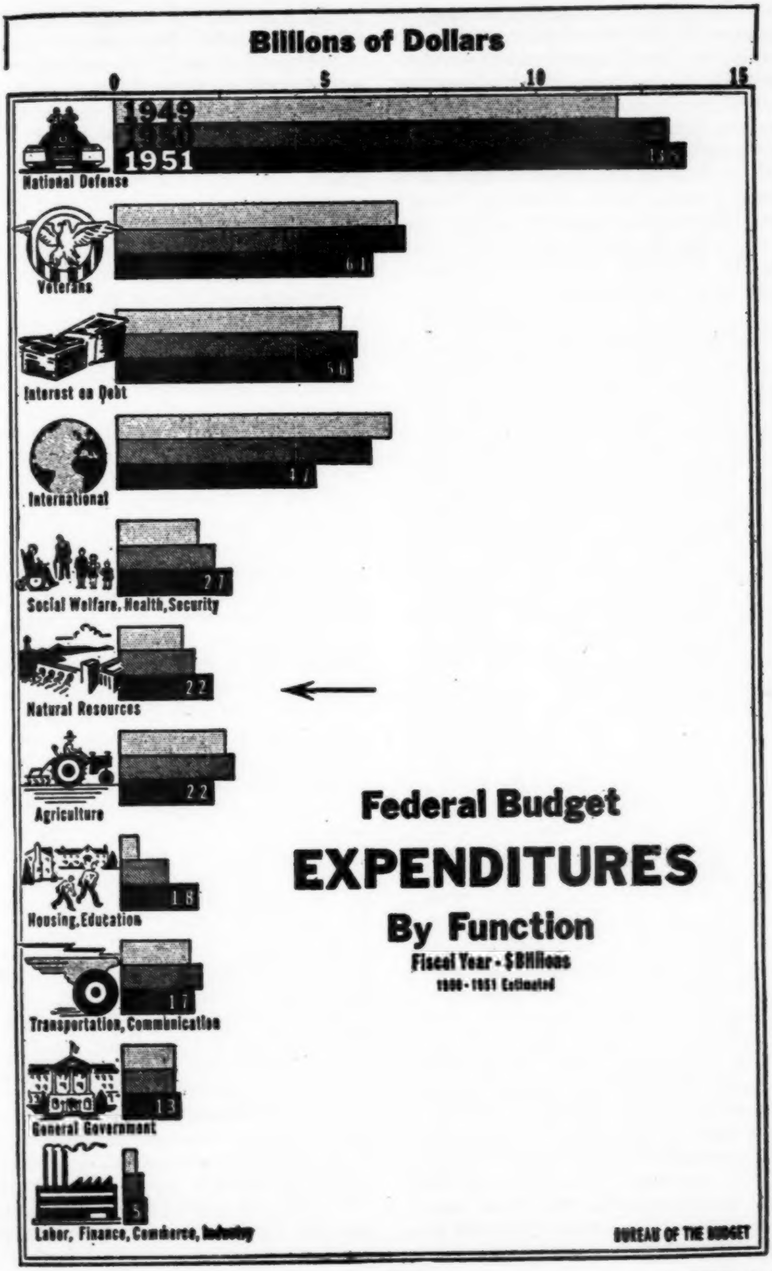
utility districts. The bill now before Congress to establish a Columbia Valley Administration (Senate Bill 1645) has been caustically described by Raymond Moley in *Reader's Digest* for December (condensed from *Newsweek*) as follows:

> More autocratic than the Tennessee Valley Authority and in scope several times as large, the proposal would set up a monopolistic government corporation, well protected from the reach of the state governments of Washington, Oregon, Montana, and Idaho. It specifies three directors with 6-year tenure who would be utterly free of local control and who could only with great difficulty be removed by a new President. The appointments of their subordinates are specifically exempted from the Federal Civil Service. The magnitude of the administration would ultimately bring a vast horde of employees to the region, with full voting rights and under the control of the directors. . . . Through plenary government powers the CVA would become the owner of vast property and would be free to develop and dispose of that property without let or hindrance. It could at will rearrange highways, railways, bridges, mills, and electric light plants, publicly or privately owned. It would distribute electric power without control by state or local regulation.
>
> Since its huge properties would be removed from the reach of the taxing authorities of the state and local governments, those agencies, thus impoverished, would become mendicants dependent upon the CVA for doles. It is hard to see how they would retain a shred of independence. So that there can be no nonsense in the courts, the bill specifically says that "the determination by the . . . CVA of the necessity of making any payments and of the amounts thereof shall be final." . . .
>
> The CVA would start with a fund in the Treasury, appropriated without strings by Congress, and it could dig into that fund practically at its own discretion. After a while it would be receiving huge sums from its own operations. It could literally play with hundreds of millions of dollars. And it could make its profitable power and irrigation business pay for almost any activity that might occur to the directors.

PRESIDENT Truman in his recent "State of the Union" message to Congress, as later amplified at a press conference, said that the government should enlarge the production and transmission of public power "not only in those regions which have already received benefits from public power but also in New England where the benefits of all public power developments have not been experienced." He said that there are four great power projects in which he is interested: (1) Northeast, including the Passamaquoddy project* in Maine, as well as the New England river development and the St. Lawrence seaway and power program; (2) Northwest, including the Columbia and Snake rivers (he neglected to mention that the Snake already is being successfully developed by Idaho Power Company); (3) Southwest, embracing the Central valley of California, Boulder dam, and developments in Texas, northwest Arkansas, and northeast Oklahoma; (4) Southeast, including TVA and the rivers of South Carolina. Also the upper Mississippi-Missouri-Ohio river area is ready for development, possibly as a flood-control measure, he suggested. He estimated that a unified project for the Mississippi, Missouri, and Ohio valleys would cost $1.5 billion; apparently this project is an expansion of the proposed Missouri Valley Authority, about which there has been so much controversy in the past two or three years.

Asked by a reporter as to who would transmit the electric power, the President replied that where necessary the U. S. government would do the job; but where private interests could do it as cheaply he would be happy to have them

*On which many millions of dollars were spent by the Roosevelt administration before abandonment of the project.


Billions of Dollars
0
5
10
15
1949
1950
1951
13.5
National Defense
6.1
Veterans
5.6
Interest on Debt
4.7
International
2.7
Social Welfare, Health, Security
2.2
Natural Resources
2.2
Agriculture
Federal Budget
EXPENDITURES
By Function
Fiscal Year - $Billions
1.8
Housing, Education
1.7
Transportation, Communication
1.3
General Government
.5
Labor, Finance, Commerce, Industry
BUREAU OF THE BUDGET

do it. He proposed to send a message to Congress in the near future, urging action on the New England power development. He clashed recently with Governor Dewey on the St. Lawrence river power project; Mr. Truman does not want the power unless he can have a seaway along with it, linking the Atlantic ocean with Great Lakes ports. Governor Dewey would develop hydroelectric power first, through the joint efforts of New York and the Canadian Province of Ontario, postponing the seaway.

ONE political difficulty with the CVA, the MVA, and similar projects is that they step on the toes of local interests. Thus in the Northwest, in the seven months since Representative Mitchell of Washington introduced the CVA bill, a large number of "anti-CVA" organizations have sprung up, public speakers are being trained, etc. The pro-CVA groups include leaders of organized labor, granges, PUD officers, and Democratic spokesmen. On the other side are arrayed businessmen, many farmers, state officials, Republican leaders, and a preponderance of newspapers. The Pacific Northwest Development League recently issued a 48-page brochure picturing the progress already made through the Reclamation Bureau, the Army Engineers, and private industry, building dams and canals, etc., in coöperation with the Soil Conservation Service, Forestry Service, and other Federal and state agencies. It refers to 86 major power dams already operating in the Colorado basin, 32 major irrigation dams, 12 major multipurpose dams, 539 miles of flood-control levees, and 3,800,000 acres under irrigation, with a project under construction to bring in 1,314,000 acres more. A vast construction program already is under way in connection with Grand Coulee dam and the Colorado basin irrigation project of south central Washington. Army Engineers are rushing work on the McNary dam, where 1,000,000 kilowatts will be developed. Some preliminary work has started on the Chief Joseph dam project to produce 1,700,000 kilowatts. Pro-CVA forces argue that these projects are not well enough coördinated, while the "antis" deny this.

Support for the MVA project (which is designed to cover about one-sixth of the country) has appeared in a recent report issued by the Federal Power Commission. The commission's regional engineer, B. H. Greene, of Chicago, estimates that the valley will need 9,700,000 kilowatts by 1970, and that private power won't provide it. Leland Olds, recently dropped from the FPC for leftist tendencies, used to wax lyric over "valley" developments; he has now been appointed to a "Waters Resources Commission."

NEBRASKA was the first state to swing over entirely to public power, the last of the private utilities being acquired in 1946 by Consumers Public Power District, a political subdivision of the state created in 1939. Recently the CPPD has been battling the municipalities over the failure to acquire their distribution systems, preferential rate treatment for rural areas, etc. The representative of a private utility has remarked: "America is led to believe by proponents of public ownership that all is lovely when you get rid of capitalists. But look at this (in Nebraska). Except that Uncle Sam is a magnanimous creditor, organization of districts in Nebraska would have been impossible. There has developed in Nebraska sharp and deep-rooted antagonism between the municipalities on the one hand, and the rural districts and the CPPD on the other."

American Power & Light recently contracted with a banking group headed by B. J. Van Ingen & Company, of New York, to sell its equity interest in Pacific Power & Light for a price ranging between $10,000,000 and $19,500,000. The exact price would be determined later, based on resales to public power agencies. The announcement stirred up considerable opposition among utility executives and local officials in the Northwest. It is evidently feared that the sale will play into the hands of local and Federal proponents of public power and further the

plans for creating a CVA. Hearings on the proposed sale will be held before the SEC on February 24th. It is said that letters of protest have been filed by the public service commissions of Oregon and Washington, with the backing of the governors of both states.

### *Michigan Commission Stresses "Fair Value" and Reproduction Cost in Consumers Power Rate Case*

CONSUMERS POWER COMPANY on December 30, 1948, asked the Michigan Public Service Commission for higher electric rates to yield an increase of $6,600,000 in revenues, and the commission after considering the case for slightly over a year allowed the company $4,200,000, or about two-thirds of the requested amount. The commission's opinion is notable for its conscientious discussion of the bases of valuation and rate of return.

The company had urged that its earnings needed bolstering in order to support adequate equity financing in connection with the heavy construction program. The commission reviewed the history of the case and the company's background, and analyzed its rate policies over a period of years. It stated that there was considerable confusion over the proper approach to a rate base, and that members of its own staff felt that "this commission is committed to the doctrine of original cost or prudent investment." The Michigan law was quoted with reference to its injunction to use reasonable return on the fair value, and past commission and court decisions in Michigan were reviewed, with these interesting conclusions:

> We are not unmindful of the decision of the Supreme Court of the United States in Federal Power Commission *v.* Hope Natural Gas Co. (320 US 591; 51 PUR NS 193). We realize that the decision of this case marked a significant change in the attitude of courts and commissions toward the question of fair value, original cost, and other various philosophies. In the Hope Case, the court declined to set aside the order of the Federal Power Commission because based upon original cost as contrasted to fair value, and held in substance that the basis of value was not controlling so long as the end result of the order was found to be reasonable.
>
> FOLLOWING this decision the trend toward the original cost base swept through and fairly engulfed the industry as well as regulatory bodies. In times of comparatively stable prices corresponding in general to cost of production, it is relatively unimportant whether original cost or present fair value be adopted. Surely the original cost theory commends itself by sheer simplicity of administration, but during inflationary periods it assumes alarming aspects and it may equally prove to be alarming during a period of deflation. From our viewpoint, however, we cannot indulge in a choice between the fundamental philosophy of original cost on the one hand and fair value on the other. We believe that we are directed, not only by the legislature but by the Supreme Court, in the course which we are to pursue upon this phase of this troublesome question. In other words, both our legislature and our Supreme Court have told us that we are to operate upon the basis of fair value. . . .
>
> The commission has before it in this record possible rate bases ranging from a low of $241,395,000 to a high of $412,721,000. . . . In making a determination of the fair value, we have considered carefully the original cost, the reproduction cost new of the property, the depreciation, value of the service to the consumer as exemplified by a comparison of rates with other electric utilities in the state of Michigan as well as with other electric utilities in the United States, and we are of the opinion, after due and careful con-

sideration of all of the lawful elements properly to be considered, that for the purpose of these proceedings the fair value of Consumers Power Company's electric property, including an allowance for materials, supplies, and working capital, is $330,000,000 and we so find.

REGARDING the rate of return to be allowed, the commission stated, "we deem it necessary to consider the cost of money, the company's financial structure, its construction program, and its need for raising additional capital." President Whiting had asked that 6 per cent be considered a fair return, but the cost of money to the company was estimated by witnesses to approximate 5.56—5.80 per cent (the latter figure reflecting a "standard" capital structure). The commission concluded that a fair rate of return would be 5.7 per cent when applied against the fair value of $330,000,000. This would require net earnings of $18,800,000, and 1949 earnings fell short of this amount by nearly $2,600,000. After allowing for larger income taxes, an increase of about $4,200,000 in revenues would be required, which the commission granted.

This decision would seem to be one of the most honest, forthright, and well-ordered commission decisions of recent years. It should help to offset the widespread political pressure on regulatory agencies to use original cost (or worse still, "prudent investment") as the rate base, at a time when it costs nearly twice as much as the original cost to replace worn-out or obsolete property.

## *Consolidated Edison to Appeal Issue over Depreciation Reserve To U. S. Supreme Court*

THE New York State Court of Appeals recently handed down a decision supporting the public service commission in its order of last January forcing Consolidated Edison to reduce "temporary" electric rates 10 per cent. This reversed the decision of the appellate division which held the decrease unwarranted. The major issue concerned the substantial increase in the depreciation reserve considered essential by former Chairman Milo R. Maltbie in fixing an electric rate base against which to apply earnings. Early this year the high court had also reversed the appellate division when the latter granted an injunction and stay against the new rates, and hence the rate cut had remained operative since it was originally put into effect by the company January 10, 1949. The court stated:

> In arriving at its result, the commission found the original cost of the property, as shown on the company's books, to be $813,000,000, from which it deducted $255,000,000, as representing accrued depreciation. This latter sum was made up of $160,000,000, which was the amount carried on the company's books as reserve for depreciation, and the additional sum of $95,000,000, which, an engineer employed by the commission testified, was the amount of the deficiency in that reserve. The inclusion of this additional sum is justified by the commission upon the ground that the books of the company "do not show" the amount of accrued depreciation and that, by reason thereof, the commission was authorized by the second paragraph of §114 to proceed to make its own "estimate" of the accrued depreciation.

THE court decided that there was no essential difference between the terms "accrued depreciation" and "reserves accumulated for retirement or replacement of property," and also held that there should be no distinction in the treatment of depreciation in the regulation of "temporary" *versus* "permanent" rates. It had been argued that "the legislature determined that, in computing temporary rates, reliance should be placed only upon the facts and figures readily disclosed by the company's books, since they had at least the virtue of definiteness in contrast to the uncertainty that would stem from the traditional use

of speculative and varying expert opinion."

IN view of the importance of the decision, the court might well have made a more searching examination of the whole depreciation issue. The court comforted itself with the idea that the company would be "recouped" in future for any injustice it might suffer in the fixing of the temporary rates, but the fact that several years were required to decide these rates, and several more years of litigation and negotiation may ensue before permanent rates are fixed, makes the word "temporary" a misnomer. The temporary rate law seems to grant such wide powers to the commission as to open the door to confiscation, and "recoupment" at such indefinite future time may not undo any damage now done to the company and its stockholders during a vitally important period of rapid expansion and the raising of large sums of new capital. It is understood that the case will be appealed to the U. S. Supreme Court on the issue of confiscation.

DIVIDEND-PAYING ELECTRIC UTILITY STOCKS

| | | 1/10/50 Price About | Indicated Dividend Rate | Approx. Yield | Share Earnings Cur. Period | Share Earnings Prev. Period | % Increase | Price-Earn. Ratio | % of Rev. Avail. for Com. Stk. |
|---|---|---|---|---|---|---|---|---|---|
| | ***Revenues $50,0000,000 or over*** | | | | | | | | |
| B | Boston Edison | 47 | $2.80 | 6.0% | $2.90d | $2.75 | 5% | 16.2 | 11% |
| S | Cincinnati G. & E. | 31 | 1.40 | 4.5 | 3.29s** | 2.57** | 28 | 9.4 | 13 |
| S | Cleveland Elec. Illum. | 45 | 2.40 | 5.3 | 2.77s** | 2.48** | 12 | 16.2 | 11 |
| S | Commonwealth Edison | 31 | 1.60 | 5.2 | 2.04s | 1.73 | 18 | 15.2 | 10 |
| S | Consol. Edison of N. Y. | 29 | 1.60 | 5.5 | 2.35s | 2.28 | 4 | 12.3 | 7 |
| C | Consol. Gas of Balt. | 71 | 3.60 | 5.1 | 4.73s* | 4.21* | 12 | 15.0 | 8 |
| S | Consumers Power | 34 | 2.00 | 5.9 | 2.54n** | 2.50** | 2 | 13.4 | 13 |
| S | Detroit Edison | 22 | 1.20 | 5.5 | 1.71n** | 1.36** | 26 | 12.9 | 8 |
| C | Duke Power | 85 | 4.00 | 4.7 | 8.19s | 6.04 | 36 | 10.4 | 12 |
| C | Niagara Mohawk Power | 22 | 1.40 | 6.4 | 1.89-o | — | — | 11.6 | — |
| S | Northern States Power | 11 | .70 | 6.4 | .96s** | .76** | 25 | 11.5 | 13 |
| S | Ohio Edison | 32 | 2.00 | 6.3 | 2.82ag | — | — | 11.3 | 14 |
| S | Pacific G. & E. | 34 | 2.00 | 5.9 | 2.02-o | — | — | 16.8 | 8 |
| S | Penn Power & Light | 22 | 1.20 | 5.5 | 2.08n** | 1.76** | 18 | 10.6 | 9 |
| S | Philadelphia Elec. | 25 | 1.20 | 4.8 | 1.72-o** | 1.49** | 15 | 14.5 | 12 |
| S | Pub. Serv. E. & G. | 26 | 1.60 | 6.2 | 2.38je | — | — | 10.9 | 8 |
| S | So. Calif. Edison | 35 | 2.00 | 5.7 | 2.94s | 1.84 | 60 | 11.9 | 7 |
| S | Virginia Elec. Power | 20 | 1.20 | 6.0 | 1.69n* | 1.47* | 15 | 11.8 | 9 |
| S | Wisconsin Elec. Power | 21 | 1.25 | 6.0 | 2.05s** | 1.44** | 42 | 10.2 | 8 |
| | Averages | | | 5.6% | | | | 12.8 | |
| | ***Revenues $25-$50,000,000*** | | | | | | | | |
| S | Carolina P. & L. | 33 | $2.00 | 6.1% | $3.31n** | $2.71** | 22% | 10.0 | 13% |
| O | Central Ill. P. S. | 17 | 1.20 | 7.0 | 1.56s** | 1.44** | 8 | 10.9 | 15 |
| O | Connecticut L. & P. | 58 | 3.25 | 5.6 | 3.73n** | 3.31** | 13 | 15.5 | 12 |
| S | Dayton P. & L. | 31 | 1.80 | 5.8 | 2.67s** | 1.99** | 34 | 11.6 | 13 |
| O | Florida P. & L. | 21WD | 1.20 | 5.7 | 2.15n | — | — | 9.8 | 12 |
| S | Houston L. & P. | 48 | 2.20 | 4.6 | 3.98n** | 3.22** | 24 | 12.1 | 16 |
| S | Illinois Power | 37 | 2.20 | 5.9 | 3.09n** | 2.75** | 12 | 12.0 | 15 |
| S | Louisville G. & E. | 32 | 1.80 | 5.6 | 3.33s | 2.66 | 25 | 9.6 | 12 |
| O | New Orleans Pub. Ser. | 35 | 2.25 | 6.4 | 3.16-o | 2.78 | 14 | 11.1 | 8 |
| S | N. Y. State E. & G. | 54 | 3.40 | 6.3 | 4.55n** | 3.89** | 17 | 11.9 | 8 |
| O | Northern Ind. P. S. | 19 | 1.20 | 6.3 | 2.17n** | 1.69** | 28 | 8.8 | 11 |
| S | Potomac Elec. Power | 15 | .90 | 6.0 | 1.19s** | .96** | 24 | 12.6 | 11 |
| S | Pub. Serv. of Colo. | 47 | 2.60 | 5.5 | 4.68m | 3.69 | 27 | 10.0 | 14 |
| O | Pub. Serv. of Ind. | 27 | 1.60 | 5.9 | 2.46n** | 2.19** | 12 | 11.0 | 17 |
| O | Puget Sound P. & L. | 14 | .80 | 5.7 | 1.58n | 1.69 | D7 | 8.9 | 11 |
| O | Rochester G. & E. | 32 | 2.24 | 7.0 | 2.26s** | 2.42** | D7 | 14.2 | 7 |
| | Averages | | | 6.0% | | | | 11.3 | |

| | *(Continued)* | 1/10/50 Price About | Indicated Dividend Rate | Approx. Yield | Share Earnings Cur. Period | Share Earnings Prev. Period | % Increase | Price-Earn. Ratio | % of Rev. Avail. for Com. Stk. |
|---|---|---|---|---|---|---|---|---|---|
| | ***Revenues $10-$25,000,000*** | | | | | | | | |
| O | Atlantic City Elec. | 19 | $1.20 | 6.3% | $1.55n** | $1.42** | 9% | 12.3 | 12% |
| S | Birmingham Elec. | 10 | — | — | .61n | 1.18 | D48 | 16.4 | 4 |
| O | Central Ariz. L. & P. | 13 | .80 | 6.2 | 1.22n** | 1.14** | D7 | 10.7 | 13 |
| S | Central Hudson G. & E. | 10 | .52 | 5.2 | .57s | .51 | 12 | 17.5 | 6 |
| O | Central Ill. E. & G. | 21 | 1.30 | 6.2 | 2.20s | 2.11 | 4 | 9.5 | 11 |
| S | Central Illinois Lt. | 36 | 2.20 | 6.1 | 2.99n | 2.92 | 3 | 12.0 | 14 |
| O | Central Maine Power | 18 | 1.20 | 6.7 | 1.54n** | 1.04** | 48 | 11.7 | 15 |
| S | Coumbus & S. Ohio El. | 20 | 1.40 | 7.0 | 2.48s | 1.99 | 25 | 8.1 | 13 |
| O | Connecticut Power | 37 | 2.25 | 6.1 | 1.87je | 2.34 | D20 | 19.8 | 11 |
| S | Delaware P. & L. | 22 | 1.20 | 5.5 | 1.88s** | 1.40** | 34 | 11.7 | 12 |
| S | Florida Power Corp. | 19 | 1.20 | 6.3 | 1.52-o** | — | — | 12.5 | 11 |
| S | Gulf States Util. | 22 | 1.20 | 5.5 | 1.94n | 1.69 | 15 | 11.3 | 17 |
| C | Hartford Elec. Light | 49 | 2.75 | 5.6 | 2.65je | — | — | 18.5 | 14 |
| S | Idaho Power | 37 | 1.80 | 4.9 | 2.64s** | 2.34** | 13 | 14.0 | 19 |
| S | Indianapolis P. & L. | 29 | 1.60 | 5.5 | 3.16s** | 3.01** | 5 | 9.2 | 14 |
| O | Interstate Power | 9 | .60 | 6.7 | .84s** | — | — | 10.7 | 13 |
| O | Iowa Pub. Serv. New | 20 | 1.20E. | 6.0 | 2.21n | 1.63 | 36 | 9.0 | 9 |
| O | Iowa-Illinois G. & E. | 28WD | 1.80E. | 6.4 | 2.71dE. | — | — | 10.3 | 25 |
| O | Iowa Power & Light | 23WD | 1.40E. | 6.1 | 1.80dE. | — | — | 12.8 | 14 |
| O | Kansas Gas & Electric | 32 | 2.00 | 6.3 | 3.14n** | 2.35** | 34 | 10.2 | 12 |
| S | Kansas Power & Light | 17 | 1.00 | 5.9 | 1.56s | 1.20 | 30 | 10.9 | 14 |
| O | Kentucky Utilities | 14 | .80 | 5.7 | 1.49s** | 1.17** | 27 | 9.4 | 12 |
| O | Minnesota P. & L. | 29 | 2.20 | 7.6 | 3.66s | — | — | 7.9 | 14 |
| O | Montana Power | 22WD | 1.40 | 6.4 | 2.51n | 2.27 | 11 | 8.8 | 25 |
| C | Mountain States Power | 32 | 2.50 | 7.8 | 3.81s** | 4.06** | D6 | 8.4 | 12 |
| O | Oklahoma G. & E. | 41 | 2.50 | 6.1 | 3.48s** | 2.97** | 17 | 11.8 | 14 |
| O | Portland Gen. Elec. | 24 | 1.80 | 7.5 | 1.94n** | 1.99** | D3 | 12.4 | 14 |
| O | Pub. Ser. of N. H. | 25 | 1.80 | 7.2 | 1.92n** | 1.52** | 26 | 13.0 | 12 |
| O | San Diego G. & E. | 14 | .80 | 5.7 | 1.02-o** | .80** | 28 | 13.7 | 6 |
| S | Scranton Elec. | 14 | 1.00 | 7.1 | 1.09n | 1.14 | D5 | 12.8 | 14 |
| S | So. Carolina E. & G. | 10 | .60 | 6.0 | 1.39s | .87 | 60 | 7.2 | 10 |
| O | Southwestern Pub. Serv. | 33 | 2.20 | 6.7 | 2.73-o** | 2.42** | 13 | 12.1 | 22 |
| C | Tampa Electric | 34 | 2.00 | 5.9 | 2.85n | 2.03 | 40 | 11.9 | 12 |
| O | United Illum. | 45 | 2.25 | 5.0 | 2.60d | 2.56 | 2 | 17.3 | 16 |
| C | Utah Power & Light | 24 | 1.60 | 6.7 | 2.29n** | 2.24** | 2 | 10.5 | 16 |
| O | Western Mass. Cos. | 32 | 2.00 | 6.3 | 2.30d | 2.41 | D5 | 13.9 | 12 |
| O | Wisconsin P. & L. | 17 | 1.12 | 6.6 | 1.54s | 1.35 | 14 | 11.0 | 11 |
| | Averages | | | 6.2% | | | | 11.9 | |
| | ***Revenues $5-$10,000,000*** | | | | | | | | |
| C | California Elec. Pr. | 9 | $ .60 | 6.7% | $ .85s | $ .76 | 12% | 10.6 | 10% |
| O | Calif. Oregon Power | 24 | 1.60 | 6.7 | 2.23n** | 1.85** | 21 | 10.8 | 17 |
| O | Central Vermont P. S. | 9 | .68 | 7.6 | .72n | .34 | 112 | 12.5 | 6 |
| C | Community Pub. Ser. | 34 | 2.00 | 5.9 | 4.06s | 3.90 | 4 | 8.4 | 12 |
| O | El Paso Electric | 34 | 2.00 | 5.9 | 3.43n | 2.96 | 16 | 9.9 | 20 |
| S | Empire Dist. Elec. | 18 | 1.24 | 6.9 | 1.70s** | 1.86** | D9 | 10.6 | 11 |
| O | Gulf Public Service | 11 | .80 | 7.3 | 1.39n** | 1.26** | 10 | 7.9 | 13 |
| O | Iowa Southern Util. | 19 | 1.20 | 6.3 | 2.34n** | 1.47** | 59 | 8.1 | 8 |
| O | Lawrence G. & E. | 36 | 2.85 | 7.9 | 2.98s | — | — | 12.1 | 9 |
| O | Lynn G. & E. | 83 | 5.00 | 6.0 | 5.02d | 5.87 | D14 | 16.5 | 16 |
| O | Michigan Gas & Elec. | 21 | 1.60 | 7.6 | 2.33s | 1.96 | 19 | 9.0 | 9 |
| O | Missouri Utilities | 15 | 1.00 | 6.7 | 1.65s** | 1.55** | 6 | 9.1 | 12 |
| O | Northwestern P. S. | 10 | .80 | 8.0 | 1.18s | 1.29 | D9 | 8.5 | 11 |
| O | Otter Tail Power | 20 | 1.50 | 7.5 | 1.94s | 1.24 | 56 | 10.3 | 9 |
| C | Penn Water & Power | 38 | 2.00 | 5.3 | 4.81d | 4.32 | 11 | 7.9 | 24 |
| O | Public Ser. of New Mexico | 18 | 1.00 | 5.6 | 1.79s | 1.57 | 14 | 10.1 | 14 |
| O | Rockland L. & P. | 10 | .60 | 6.0 | .64s | .60 | 6 | 15.6 | 12 |
| O | Southern Ind. G. & E. | 22 | 1.50 | 6.8 | 2.18n** | 2.08** | 5 | 10.1 | 15 |
| O | Tide Water Power | 8 | .60 | 7.5 | 1.00n | .85 | 18 | 8.0 | 7 |
| O | Western Lt. & Tel. | 29 | 2.00 | 6.9 | 2.45s** | 2.02** | 21 | 11.8 | 10 |
| | Averages | | | 6.7% | | | | 10.9 | |

| (Continued) | 1/10/50 Price About | Indicated Dividend Rate | Approx. Yield | Share Earnings Cur. Period | Share Earnings Prev. Period | Share Earnings % Increase | Price-Earn. Ratio | % of Rev. Avail. for Com. Stk. |
|---|---|---|---|---|---|---|---|---|
| ***Revenues under $5,000,000*** | | | | | | | | |
| O Arizona Edison .......... | 20 | $1.00 | 5.0% | $2.66s | $1.30 | 105% | 7.5 | 8% |
| O Arkansas Missouri P. ..... | 13 | 1.00 | 7.7 | 1.99s | 2.07 | D4 | 6.5 | 14 |
| O Bangor Hydro Elec. ...... | 25 | 1.60 | 6.4 | 2.27s | 2.16 | 5 | 11.0 | 15 |
| O Beverley G. & E. .......... | 37 | 2.75 | 7.4 | 2.03s | — | — | 18.2 | 6 |
| O Black Hills P. & L. ...... | 17 | 1.20 | 7.1 | 1.96-o | 2.00 | D2 | 8.7 | 13 |
| O Calif. Pacific Util. ........ | 28 | 2.40 | 8.6 | 3.40n | 4.14 | D18 | 8.2 | 9 |
| O Central Louisiana El. .... | 30 | 1.80 | 6.0 | 3.77s** | 2.24** | 68 | 8.0 | 18 |
| O Central Ohio L. & P. ...... | 28 | 1.60 | 5.7 | 2.72s** | 2.44** | 11 | 10.3 | 10 |
| O Citizens Utilities ......... | 12 | .70&Stk | 5.8 | 1.81s** | 1.46** | 24 | 6.6 | 12 |
| O Colorado Central P. ...... | 29 | 1.80 | 6.2 | 2.58s** | 2.07** | 25 | 11.3 | 11 |
| O Concord Electric ......... | 36 | 2.40 | 6.7 | 2.17d | 2.30 | D6 | 16.6 | 11 |
| O Derby G. & E. ............ | 20 | 1.40 | 7.0 | 1.25d | 1.47 | D15 | 16.0 | 10 |
| O East Coast Electric ....... | 20 | 1.20 | 6.0 | 1.44je** | 1.64** | D12 | 13.9 | 14 |
| O Fall River Elec. Lt. ....... | 52 | 3.60 | 6.9 | 3.55d | 3.32 | 7 | 14.6 | 16 |
| O Fitchburg G. & E. ........ | 43 | 2.75 | 6.4 | 2.68d | 2.85 | D6 | 16.0 | 11 |
| O Frontier Power .......... | 4 | .20 | 5.0 | .84d | 1.14 | D26 | 4.8 | 10 |
| O Haverhill Elec. ........... | 28 | 2.55 | 9.1 | 1.87s# | — | — | — | 10 |
| O Lake Superior Dist. P. .... | 22 | 1.40 | 6.4 | 3.46s | 1.51 | 129 | 6.4 | 5 |
| O Lowell Elec. Lt. .......... | 41 | 3.00 | 7.3 | 2.73je | — | — | 15.0 | 9 |
| C Maine Public Service ..... | 14 | 1.00 | 7.1 | 1.51-o | .62 | 144 | 9.3 | 9 |
| O Michigan Public Ser. ..... | 21 | 1.40 | 6.7 | 2.33s** | 1.52** | 53 | 9.0 | 8 |
| O Missouri Edison .......... | 8 | .70 | 8.8 | .91s | .94 | D3 | 8.8 | 9 |
| C Missouri Public Ser. ...... | 34 | 1.60 | 4.7 | 3.92d | 4.21 | D7 | 8.7 | 13 |
| O Newport Elec. ........... | 25 | 1.80 | 7.2 | 2.45my | 2.66 | D8 | 10.2 | 11 |
| O Sierra Pac. Power ........ | 23 | 1.60 | 7.0 | 2.04n | 2.17 | D6 | 11.3 | 13 |
| O Southern Colo. Pr. ....... | 10 | .70 | 7.0 | 1.26ag** | 1.12** | 13 | 7.9 | 14 |
| O Southwestern El. Ser. .... | 12 | .80 | 6.7 | 1.36ag | 1.25 | 9 | 8.8 | 14 |
| O Tucson Gas, E. L. & P. ... | 22 | 1.40 | 6.4 | 2.35s | 1.65 | 42 | 9.4 | 16 |
| Averages .............. | | | 6.7% | | | | 10.5 | |
| Averages, five groups .... | | | 6.3% | | | | 11.4 | |
| ***Canadian Companies†*** | | | | | | | | |
| C Brazilian Trac. L. & P. ... | 19 | $2.00 | 10.5% | $3.85d | $3.69 | 4% | 4.9 | — |
| C Gatineau Power .......... | 18 | 1.20 | 6.7 | 1.26d | 1.63 | D23 | 14.3 | — |
| C Quebec Power ............ | 17 | 1.00 | 5.9 | 1.14d | 1.21 | D6 | 14.9 | — |
| C Shawinigan Power ....... | 24 | 1.20 | 5.0 | 1.58d | 1.63 | D3 | 15.2 | — |
| C Winnipeg Electric ........ | 36 | 1.40 | 3.9 | 1.81d | 1.96 | D8 | 19.9 | — |
| ***Integrated Holding Companies*** | | | | | | | | |
| S American Gas & Elec. .... | 51 | $3.00 | 5.9% | $4.28n** | $3.82** | 12% | 11.9 | — |
| O Amer. P. & L. Reclassified | 17WD | .90E | 5.3 | 1.37je | — | — | 12.4 | — |
| S Central & South West .... | 14 | .90 | 6.4 | 1.33s** | 1.20** | 11 | 10.5 | — |
| S Middle South Util. ........ | 18 | 1.10 | 6.1 | 1.90ag | — | — | 9.5 | — |
| S New England El. System .. | 11 | .80 | 7.3 | 1.13s** | — | — | 9.7 | — |
| O New England G. & E. .... | 14 | .90 | 6.4 | 1.45n** | 1.17** | 24 | 9.7 | — |
| S Southern Co. ............ | 12 | .80 | 6.7 | 1.19n** | .77** | 55 | 10.1 | — |
| O Texas Utilities ........... | 22WD | 1.28 | 5.8 | 2.10n | 2.03 | 3 | 10.5 | — |
| S West Penn Elec. .......... | 24 | 1.80 | 7.5 | 3.40s | 3.15 | 8 | 7.1 | — |
| Averages .............. | | | 6.4% | | | | 10.2 | |
| ***Other Electric Holding Companies*** | | | | | | | | |
| S General Pub. Util. ........ | 17 | $1.00 | 5.9% | $1.85sPF | — | — | 9.2 | — |
| S North American .......... | 19 | 1.00 | 5.3 | 1.40sPF | — | — | 13.6 | — |
| C Philadelphia Co. .......... | 18 | 1.00 | 5.6 | 1.04s | .88 | 18% | 17.3 | — |
| O West Penn Power ........ | 31 | 1.40 | 4.5 | 2.41s** | 2.36** | 2 | 12.9 | — |

B—Boston Exchange. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. E—Estimated. WD—When delivered. *Based on average number of shares outstanding. **Based on present number of shares outstanding. †—While these stocks are listed on the Curb, Canadian prices are used. a—April. ag—August. d—December. f—February. j—January. m—March. my—May. je—June. ju—July. s—September. o—October. n-November. PF—*Pro forma.* #—Nine months ending September 30th.

# What Others Think

## A Yankee Speaks on Public Power

A well-timed answer to the public power statements and promises found in the President's State of the Union message and in statements made at a President's press conference dealing with public power was seen in a radio address given by Albert A. Cree, president of the Central Vermont Public Service Corporation, on January 6th over Station WGY, Schenectady, New York.

Following the theme "Don't Let the Public Power Crusaders Fool You," Mr. Cree alerted his listeners to the impending "large-scale invasion of New England" by the public power crusaders "to bring the dubious and costly blessings of public power to the traditionally self-reliant Yankees."

According to the utility executive, this is a threat and challenge that must be met.

The speaker pointed out that the high standard of living found in our economy came as a result of the industrious efforts of men working in a system of free enterprise and private initiative and not through any development and management of our natural resources "by the deadening hand of government."

He claimed that the public power crusaders no longer talk about the efforts of privately owned utilities in the field of rural electrification, and he pointed out the following interesting facts in this connection:

> At the end of 1947, Vermont stood second in the nation with electricity available to 97 per cent of its farms. By the end of 1948 this percentage had risen to 98.9 per cent. At the end of 1948 Nebraska, the only wholly public power state in the Union, had electricity available to only 52.3 per cent of its farms, and Tennessee, the home of TVA and the pride of the public power crusaders, to only 57.9 per cent of its farms.

The speaker also referred to the recent statement by public power apostles that based on an FPC report there were 3,000,000 kilowatts more of electric power lying dormant in the rivers of New England. He stated that these advocates had failed to point out the following:

> (1) This FPC study was only a preliminary one and simply a catalogue of projects that *seem* to merit further investigation.
>
> (2) The chief of the bureau of power of FPC stated at the Eastern States Conservation Conference in Boston last August that the hydro possibilities in New England were all *peak power* and that 3,000,000 kilowatts of hydro, if it was all found feasible for development, would have to be supplemented by 9,000,000 kilowatts of steam-electric generation to make it the kind of *firm power* that electricity users must have available.
>
> (3) The development of that quantity of hydro capacity would flood out and ruin thousands of acres of fertile farm lands, towns, villages, and other things important to New England's economy and life.

On the subject of "cheap public power," Cree referred to a "Federal power policy study," which was filed with the Committee on Public Works of the House of Representatives by the Committee on Appropriations, which had sponsored the study during the 80th Congress, in which it was stated:

> In general, Federal power is not cheap, but can be made to appear so

by allocating substantial portions of the investment and expenses to other than power.

The study committee found in its survey that if TVA counted in its costs of power production the same character and amount of expenses as would be required of a privately owned company, rate increases of 134.94 per cent would be required to cover costs. If such rate increases were made, Tennessee would become the highest-cost electricity state in the nation instead of the lowest as the public power crusaders would have one believe.

## Underground Gasification of Coal

THE ever present industrial question of "how long will our oil and gas resources last?"—plus general concern over coal supplies—is no doubt provoking more than ordinary interest in the current experiments under way in the field of underground coal gasification. The Alabama Power Company is currently coöperating with the United States Bureau of Mines in experiments along these lines being conducted at Gorgas, Alabama.

Milton H. Fies, manager of coal operations for the utility, has recently presented a paper before the New York Society of Security Analysts giving an up-to-date report on the findings of this experiment. Emphasizing the general awareness of a public oil and gas shortage, Fies has quoted A. L. Solliday, vice president of Stanolind Oil & Gas Company, of Tulsa, who says "the nation has at least until 1961 before it needs to turn to coal and oil shale to supply our liquid fuel demands. The next decade will begin to see a growing gap between supply and demand."

According to the utility executive, the gas produced by burning coal underground consists of a mixture of nitrogen, carbon dioxide, carbon monoxide, hydrogen, methane, and some higher hydrocarbons. The nitrogen is in the incoming air and goes through essentially unchanged. The carbon dioxide results from complete combustion of carbon with oxygen, while the carbon monoxide is a product of the partial combustion of carbon with oxygen. The hydrogen is derived directly from the coal or from the decomposition of steam in contact with hot carbon monoxide or carbon. The methane is produced by synthesis during the gas-making reaction or together with higher hydrocarbon gases from distillation of the coal.

HEAT derived from these gases is found in two forms: (1) *Sensible* heat—when they are cooled from a high temperature to lower temperature. (2) Heat of *combustion*—when the gases are burned with the addition of oxygen.

Nitrogen and carbon dioxide can only give a sensible heat, while carbon monoxide, hydrogen, and methane can give up sensible heat and be burned as well.

Practical utility application of this heat is foreseen in the operation of a steam turbine-electric generator at the site of the underground gasification. Where both sensible heat and heat of combustion could be used, the boiler plant should be close to the exit of the underground gasification operation and the gases taken to it at as high a temperature as possible.

In utilizing the gaseous products of underground gasification in a gas turbine, the turbine can be located at the gas outlet, the sensible heat extracted through suitable heat exchange equipment, and the heat of combustion obtained in the combustion chamber of the turbine. It is believed that the over-all efficiency of such a gas turbine operation can prove 25 per cent to 50 per cent greater than efficiency now obtained from present mining methods followed by coal utilization in a steam power plant.

Fies describes similar operations now being carried on by the British, French, and Belgian governments, and cites a

Russian claim that large industries located near the Donetz basin are obtaining their fuel supply from gas obtained by burning coal underground.

As background for the appraisal of the current experiment at Gorgas, Alabama, Fies has itemized the following results obtained in an initial experiment in this locality:

1. There was no difficulty in maintaining combustion of coal underground.

2. Coal in place was gasified completely. Examination of the underground residue showed that only ash and clinker remained in the combustion zone. No islands of unreacted coal or coke were found.

3. The high temperature developed by the gasification brought about changes in the overlying strata that appeared to be favorable to the process. Roof rock became plastic, expanded, and settled on the mine floor directly behind the reacting coke face. Settlement of the roof rock forced the air and gas to pass through the narrow openings along the coke-rock interface.

4. A gas of varying quality was produced by the several methods employed. In essence, it appears entirely possible that a power gas can be produced during combustion either by the use of air, air-steam, or air-enriched oxygen. A synthesis gas apparently can be made by using an oxygen-steam blast or possibly through a cyclic operation employing a steam run.

BEGINNING on March 18, 1949, the second experiment began with the Alabama Power Company making available some 100 acres of coal land and technical assistance, both without cost to the government. The Bureau of Mines has planned, supervised, and directed the work and financed the services and facilities used in the preparation and operation of the project. It has been estimated that the government alone will have expended, through June 30, 1950, some $750,000 on the experiment. It is expected that, with additional appropriations, the work at Gorgas will continue for another two or three years. The objectives of the current experiment are as follows:

1. To determine the quantity of coal that can be gasified from a given initial combustion zone and the shape and extent of the burned-out area formed by this gasification.

2. To determine the practicability of fixed product-gas outlets both at the outcrop of the coal bed and at vertical bore holes. It is the intention to test various designs of inlets and outlets, including the seals required.

3. To determine the operational characteristics of the experimental installation under such variation of conditions as the nature of the installation and the progress of the work may indicate to be desirable. For example, the length of passage required, the optimum rate of flow, and the pressure drop encountered.

4. To determine the quality and quantity of the air-blow product gas generated under the experimental conditions. A secondary phase will be determination of the quantity of tar and related products obtained.

5. To obtain all possible information regarding the action of heat on the overlying strata.

6. To obtain such fundamental technical and economic information having influence on the choice of plant sites, plant installation, and operating processes as can be realized without interfering with the foregoing objectives. This will include the testing of refractory linings, together with the installations designed for handling hot gases.

THE present experiment is being continued in a coal bed which is 42 inches thick and relatively level—most of the coal beds in the United States are of the flat variety and although it appears to be more difficult to gasify coal in the ground under such conditions, such beds have been deliberately chosen in order to find the process best adaptable to them.

At the northern end of the project a vertical face was made on the coal outcrop and an entry and air course were driven south for a distance of 1,240 feet. The entry and the air course are each 10 feet wide and are separated by a coal pillar 10 feet thick. Every 300 feet they are interconnected by means of crosscuts driven through the coal pillar. Approximately 3,000 tons of coal already have been burned in place and the ribs of the original 10-foot entry have been burned back so that the coal has now been burned from an area 70 to 75 feet wide and 300 feet long. Several test holes have been put down in the area where the coal has been burned out and show that in these regions there are few or no void spaces in the rock above the coal bed. Roof action away from the original entry has apparently been favorable.

THE major difficulty thus far, which must eventually be surmounted, is the by-passing of air through nonreactive material and the subsequent combustion of the product gases before they can be removed from the system. A measure of control has been accomplished through the introduction of fluidized sand into the void spaces appearing underground.

Some idea of the accomplishments thus far during the 8½-month current experiment are pointed out by Fies. They must be observed with some degree of conjecture:

1. Some 3,000 tons of coal from the initial 300-foot passageway have been consumed, and no limit as to the quantity of coal which can be consumed from a passageway has as yet been reached. No difficulty has been encountered in maintaining combustion, and, after all, that is the first step.

Gas quality has not been stressed in these initial experiments. The fundamental purpose is to make a gas with *constancy* and *continuity;* then exercise control. If a producer gas results, then a further step will be to produce a higher quality gas through the use of oxygen and steam with the assistance of fluid catalyzers.

2. When dealing with gases of high temperatures, outlets and refractories are important. To date, the bore holes which have been installed at this project have functioned adequately as hot gas outlets and air inlets. Both the unlined bore holes, and those filled with refractory linings have served adequately as hot gas outlets from the system. At the completion of the experiment it may be well to study the comparative effects on each.

3. It is not yet possible to determine the operational characteristics for several variables such as the length of passage required, the optimum rate of flow, and the pressure drop encountered. To date only a 300-foot length of passage has been used in the operation of the project. Some eminent gas engineers think this passage is not sufficiently long—others think it is too long. It is expected to set up in the near future a system whereby a shorter length passage will be utilized in an effort to obtain a short and very hot reaction zone. The best operating conditions have so far been realized when the maximum rate of flow obtainable at the project has been used. The experiment may later reveal that higher pressures and greater volume are needed under certain conditions.

4. At times during the past two months the *calorific value* of the product gas has been high enough to be combustible under proper conditions. Due to by-passing of air through void spaces underground, the energy content in the coal has largely been obtained as sensible heat from the gases evolved from the system. We have reasonably good evidence that a good quality air-blown producer gas is being made on the burning coal ribs, but it has not yet been possible to produce such gas above ground. It is believed that this can be accomplished by additional drilling and introduction of sand at the proper point.

5. In order to obtain data regarding the effect of heat on the overlying strata, test holes have been drilled along

the line of the original entry and some to the side. It was found in some instances that the strata fifteen feet above the top of the coal show the effect of heat.

Some of the cuttings obtained from the test holes were red in color, similar to the red rock of burning culm or refuse piles.

The test holes to the side or off from the original entry indicate that there are few if any void spaces either at coal bed level or in the overlying strata. At the level of the coal bed, drill cuttings show the presence of some combustible material. However, the volume in this region is at least three-fourths rock and material whose physical properties have been altered by the action of the heat. The evidence is that the roof action away from the line of the original entry is altogether favorable to the process of underground gasification, and the roof action along the line of the original entry was not favorable. This strengthens the theory that either a sufficiently high temperature was not maintained, or that the rise of temperature during the first stage of the experiment was not sufficiently rapid.

6. The acquisition of technical and economic information which can be useful in the selection of plant sites, plant installation, and operating processes, will be gradual and cumulative. These data can be gained as experiments are made, and without interfering with fundamental objectives. For example, some valuable knowledge of seals has been acquired.

IT is generally believed that some of the purposes of the experiment as originally proposed have been attained, and that the experiment thus far may be regarded as successful. None of the men connected with the work, however, are under any illusion as to the difficulties which have yet to be overcome.

Participants in the experiment view as one of their paramount problems that of establishing an independence of roof action. It is believed that if a means of gasifying coal can be devised independent of roof action, control can be simplified. Three possibilities are now being considered: (1) The process now being used and patented by the Stanolind Oil & Gas Company in oil operations. By this method two holes would be drilled at some interval to be determined and air forced from one hole to the other to burn out the area between and adjacent to them. (2) Another possibility is horizontal drilling. It seems that one West Virginia chemical company performed its underground gasification experiments in a horizontal coal bed by drilling a hole three feet in diameter and 700 feet in length in a 5-foot seam of coal. Had it not been for an obstruction in the coal bed the hole would have been continued on to the 1,100 feet, which was the distance planned. (3) Still another possibility has been considered as the result of a contention made by the research director of one of the largest coal companies. He holds to the opinion that by separating two worked-out areas in abandoned mines where the pillars remain, a cyclic operation can be attained similar to that which prevails in retorts in gas manufacture.

His idea is to heat one such area to some given temperature by firing, and then introduce steam into this area while a second area is being brought to the predetermined temperature. In this manner a synthesis gas may be made continuously, and the energy contained in the coal in abandoned mines produced in a useful form.

Those interested in the experiment welcome any suggestion which may make the underground gasification of coal a practical process. They are convinced that this is a job which needs to be done "for the future security of Americans and for the benefit of people everywhere."

# The March of Events

## In General

### Commission Group Weighs Utility Problems

NEW ENGLAND'S public utility commissioners last month urged Congress to repeal excise taxes on transportation and communication, and asked the Federal Power Commission to expedite the piping of natural gas into the New England area.

Another resolution adopted at a conference in the office of Thomas A. Flaherty, chairman of the Massachusetts Board of Public Utilities Commissioners, called for coöperation in a study of telephone toll rates. Edgar H. Hunter, chairman of the New Hampshire Public Service Commission, presided.

Flaherty said the National Association of Railroad and Utilities Commissioners had named a committee to undertake a nation-wide study of telephone toll rates. This study, he said, will try to correlate toll rates in interstate and intrastate services.

In another connection, President Boswell of the New Jersey Board of Public Utility Commissioners recently wrote to U. S. Senators Smith and Hendrickson and the fourteen Representatives in Congress from the state of New Jersey urging repeal or reduction of Federal taxes on communication and transportation services.

Removal or reduction of those taxes, he stated, would result in a reduction in the costs of those services to the public. Imposition of excise taxes which are figured as a percentage of transportation and telephone rates impose a special problem on regulatory bodies, Boswell wrote.

### Funds Swell BPA Account

THE Bonneville Power Administration last month announced transfer of $2,000,000 in surplus power revenues to the U. S. Treasury for the Bonneville dam project account. BPA claimed that advance payments to date will permit return of all power charges on the dam ten years earlier than the originally planned amortization period.

The current $2,000,000 payment, made from net revenues of fiscal year 1949, will bring total funds returned to the Treasury to $31,208,000, including operating expenses and interest.

Repayment of principal is estimated to be about $4,500,000 ahead of schedule, allowing final payment of the power allocation to be made by 1984 instead of 1994, at the present rate of repayment.

## Alabama

### Outside Lawyers Champion Utility

AN appeal to the state supreme court to grant the Birmingham Electric Company a rehearing in its transportation rate case has been made by a group of Birmingham attorneys.

Contending that the Birmingham Electric Company had received "a kick in the pants," fifteen attorneys, acting as friends of the court, asked the court to

rehear the rate case and "redraft its opinion so as to do the greatest good for the greatest number — the citizens of Birmingham and Jefferson county."

It was reported to be the latest development in the nearly 2-year battle by the Birmingham Electric Company to raise its bus and trolley fares from 7 to 10 cents.

The supreme court last year upheld a refusal by the state public service commission to grant the fare increase. The decision was appealed by the local utility company, which asked for a rehearing.

The brief cited "undisputed evidence" that the Birmingham Electric Company "was losing more than three-quarters of a million dollars per year out of pocket on its transportation system before any provision for depreciation or obsolescence. This loss has now been increased to more than a million and a quarter (dollars) by new labor contracts and increases in prices since the commission heard this case."

The brief stated that "because of increased prices and labor costs, the company is put in a position of being forced to curtail operation. The purpose of a public service commission is to regulate and not to strangulate. The electric company is a public utility and not a political football."

This was the second such appeal by independent Birmingham attorneys made in the past few weeks. A similar brief, signed by thirty-six attorneys, was filed with the supreme court early last month.

# Connecticut

## Application Filed with FPC

The Windsor Locks Canal Company, a wholly owned subsidiary of the Connecticut Light & Power Company, last month filed application with the Federal Power Commission for a preliminary permit to develop hydroelectric power facilities at Enfield on the Connecticut river. This permit would enable the Canal Company to perfect plans for construction of the 42,000-kilowatt plant recommended by the Corps of Engineers, U. S. Army, in its plans for navigation improvements which include a dam and navigation lock at Enfield Rapids.

R. H. Knowlton, president of Connecticut Light & Power, and of the Windsor Locks Canal Company, said in commenting on the proposed plant that hydroelectric power is not a substitute for steam-generated power in New England because of limitations imposed by river flow. But that water power, when added to steam power in the ratio of not more than one hydro unit to each four steam units, can play an important part in meeting "peaks," meaning high demands of short duration.

# Georgia

## Court Ruling Opens State Door

A decision of the state supreme court has paved the way for the Southern Company, a holding corporation for the Georgia Power Company and three other utility firms, to make its headquarters in Georgia.

The court ruled that a domesticated foreign corporation, such as the Southern Company would be if it moved to Georgia, should have the same exemptions on intangible ad valorem taxes as a Georgia corporation. The effect of the decision is that the state of Georgia cannot tax the common voting stock of the Alabama Power Company, Gulf Power Company, and Mississippi Power Company.

Incorporated in Delaware, the Southern Company owns the stock of the Georgia, Alabama, Gulf, and Mississippi

companies. None of the latter three firms do business in Georgia, however.

The supreme court's decision, upholding a ruling of Judge Frank Hooper, of Fulton Superior Court, was on a suit for declaratory judgment filed by Southern against State Revenue Commissioner Charles D. Redwine.

# Idaho

## Rebates Authorized

The state public utilities commission recently authorized four utility companies in the state to issue rebates to customers using power for irrigation and drainage pumping.

William D. Fox, commission secretary, said the annual rebate figures are approved by the state tax commission from data submitted by the utilities. One-half of the refund is allocated on the basis of horsepower months and the other half is on kilowatt-hour use.

The following rebates were approved: Idaho Power Company, $63,964.26; Utah Power & Light Company, $27,788.99; Washington Water Power Company, $4,409.78; and California-Pacific Utilities Company, $671.46.

## One-man Utility Commission

Establishment of a one-man state public utilities commission instead of the present 3-man board was included among the recommendations made by the state legislative committee on governmental reorganization in a report prepared early this month for submission to a special state legislative session which will convene February 6th.

Idaho's present public utility commissioners are appointed by the governor for 6-year terms. The proposed single commissioner also would be named by the governor for a 6-year term.

In advocating the one-man commission setup, the committee said that "Oregon has successfully operated under this plan."

# Illinois

## Charges Industrial Gas Users Favored

The Peoples Gas Light & Coke Company has been charged by the city of Chicago with slighting household customers in favor of "interruptible" industrial buyers in both present and proposed gas rates. Through Joseph F. Grossman, special assistant corporation counsel, the city sought to intervene in hearings before the state commerce commission where the gas company is asking rate increases averaging 30 per cent for interruptible and off-peak users.

Interruptible customers, most of them large companies, contract for gas with the understanding their service may be cut off on short notice in very cold weather when the demands of residential users and other customers are heaviest.

Grossman claimed that the gas company charges its residential and other noninterruptible customers enough to offset the expenses of operating the utility and bringing natural gas into the city through interstate pipelines. He questioned whether the interruptible and off-peak users are bearing their full share of the expense burden.

# Iowa

## To File Dam Protest

The state of Iowa last month raised two questions of constitutionality in asking a rehearing of the Moscow dam case.

Neill Garrett, special assistant attor-

ney general, said the state's petition for a rehearing by the United States Circuit Court of Appeals at St. Louis asks that court: to pass on the "unconstitutional" administration of the Federal Power Act by the Federal Power Commission; to rule that, if the act attempts to give the Federal Power Commission authority to license power projects over the protests of individual states, the act itself is unconstitutional.

Garrett said these points were not mentioned in the court's recent ruling. The court declined to set aside a Power Commission order permitting the First Iowa Hydro-Electric Coöperative to construct a dam and power works on the Cedar river near Moscow, in Muscatine county.

The state, which contends the project is neither feasible nor economically sound, is making the request for rehearing to preserve its right to appeal to the United States Supreme Court if that becomes necessary, Attorney General Robert L. Larson said.

# Kentucky

## Commissioner Reappointed

GOVERNOR Earle C. Clements has reappointed Commissioner Case R. Walden, Edmonton, for a 4-year term ending January 2, 1954. The state senate confirmed Commissioner Walden's appointment on January 9th.

The senate also confirmed the appointment of Commissioner H. Clay Kauffman, Lancaster, who was appointed by Governor Clements to succeed Charles E. Whittle, Brownsville, on January 2, 1949, for a term which will end January 2, 1953.

# Michigan

## Granted Electric Rate Increase

CONSUMERS POWER COMPANY last month was granted an increase in electric rates estimated to produce an increase in annual revenue of $4,180,000, in accordance with an order of the state public service commission. The new rates would become effective upon filing of new schedules with the commission. It was expected that the rates when approved would be lower, generally speaking, than those prevailing elsewhere in the area. (See, also, page 177.)

The company was reported to be disappointed that the commission did not grant the full $6,600,000 asked for.

# New Jersey

## Seven-cent Fare Appealed

ATTORNEY General Parsons last month appealed to the appellate division of superior court against the Public Service Coördinated Transport Company and the decision of the state board of public utility commissioners upholding the 7-cent bus and trolley fare. Parsons said the issues presented in the state commission's decision of December 14th "are of sufficient importance to the people of the state for a determination by the appellate division."

He said he was not taking the appeal with a prejudiced view that the commission erred in its decision. He said he had not had time to go over the evidence and testimony to reach a determination as to whether the 7-cent fare can be reasonably supported or whether it is excessive. His determination to appeal, he said, was based solely upon the impor-

tance of the issue to those who use bus and trolley transportation.

### Rate Plea Rejected

THE state board of public utility commissioners last month rejected the New Jersey Power & Light Company's request for a rate increase of approximately 12½ cents a kilowatt hour.

"No emergency exists at this time," the board said in a 16-page opinion.

Hugh C. Thuerk, president of the company, said it was the first time it had asked a rate increase.

"The board's order will be analyzed carefully," he said, "before determining what further steps are desirable for the company to take to provide the resources necessary to supply its customers with adequate and dependable electric service."

## South Dakota

### Interior Will Recognize State Authority

THE Department of Interior will recognize a South Dakota state power authority. But it would be with strict limitations, so that power sold to nonpreference customers could be recaptured.

The response to a question by Governor George T. Mickelson whether such a statewide authority would be recognized was contained in a recent letter from Secretary of Interior Oscar L. Chapman.

The answer Chapman gave will not change the prospects of a special session of the state legislature to enact a power law. There still will be two power bills presented to the lawmakers. One for consumer power districts and the other for the state authority. Chapman's letter said:

> The Bureau of Reclamation could contract with a state power authority for the amount of power requested, but as to any power resold by such an agency to privately owned utilities companies, a reservation would be required in the contract permitting the withdrawal of that power.
>
> Privately owned utility companies would thus have the same nonpreference status in their rights to purchase power from the Federal projects if they were served by the state agency that they would have if they were served directly by the government.

Governor Mickelson said, "It would appear that the only way for South Dakota to increase its preference customer demands is through further extension of our REA's, municipally owned distribution systems, or by consumer power districts."

The governor explained that the state power authority would not increase the preference position of the state. But that it is only one feature of such a plan.

## Virginia

### Utility Tax Voted

THE Alexandria city council last month approved the levying of a 5 per cent utility tax, effective as soon as enabling legislation is approved by the state general assembly in 1950. The tax will be added to telephone, light, water, and gas bills.

It is expected to bring $187,500 in revenue to the city in 1950. City Manager W. Guy Ancell had asked for a 10 per cent utility tax. The cut came when councilmen agreed, under strong pressure from the taxpayers, to attempt to slash the 1950 budget of $4,312,312 so that new taxes would be unnecessary.

The tax was levied by a 4-to-3 vote of the 7-man council.

# Progress of Regulation

## Federal Commission Can Regulate Intrastate Company Transporting Interstate Gas

THE East Ohio Gas Company, although doing no business outside of the state of Ohio, is subject to regulation by the Federal Power Commission because it transports gas in interstate commerce. The Supreme Court made this ruling and thereby upheld the decision of the Federal Power Commission in (1947) 74 PUR NS 256, which was reversed by the court of appeals in (1949) 77 PUR NS 97.

East Ohio owns and operates a natural gas business solely in Ohio, selling gas to more than half a million Ohio consumers through local distribution systems. Most of the gas is transported from other states through pipelines of other companies. Inside the Ohio boundary these interstate lines connect with East Ohio's large high-pressure lines in which the imported gas, propelled mainly by its own pressure, flows continuously more than 100 miles to East Ohio's local distribution systems.

This continuous flow of gas from other states, to and through East Ohio's high-pressure lines, says the court, constitutes interstate transportation. The word "transportation" in § 1(b) of the Natural Gas Act must be construed as applying not only to companies engaged in the business of transporting gas in interstate commerce for hire or for sales to be followed by resales, but also to transportation of gas in interstate commerce to the company's own local distribution systems.

The company is not exempt on the ground that its facilities, within the meaning of § 1(b), are local distribution facilities. Congress, says the court, must have meant by "facilities" for "local distribution" equipment for distributing gas among consumers within a particular local community, not the high-pressure pipelines transporting the gas to the local mains.

The company had urged that the coverage of the Natural Gas Act was restricted by the broad purpose of the act to provide Federal regulation only for those companies which states could not regulate. The company relied on statements in earlier decisions that Congress intended not to cut down state regulatory power, but rather to supplement it by closing "the gap created by the prior decisions."

The U. S. Supreme Court adhered to those statements but said that prior constitutional decisions, not what the Supreme Court had since decided or would decide today, formed the measure of the gap which Congress intended to close by the act.

The court had previously decided that a company transporting interstate gas and selling it for resale wholly within one state was subject to regulation. The only respect in which East Ohio differs from such a company is that it sells gas direct to consumers rather than for resale. This difference, says the court, is immaterial.

In answer to a contention that compliance with the commission's accounting

and report orders would impose a great burden on East Ohio, the court repeated its statement made in American Teleph. & Teleg. Co. *v.* United States (1936) 299 US 232, 16 PUR NS 225, that the evidence did not show that the expense would lay so heavy a burden upon the company as to overpass the bounds of reason. *Federal Power Commission v. East Ohio Gas Co.*

## Rural Telephone Expansion Program Approved in the Light Of New Federal Policy

THE Arkansas commission allocated to a telephone company an area for rural telephone development and authorized construction and operation of facilities in that area. The company's program provided for rehabilitation of exchange plants in the area towns and conversion from manually operated magneto service to dial service. The company also proposed to construct 104 miles of rural lines to provide common battery dial service to about 320 rural customers.

The commission considered the proposal in the light of a new Federal statute declaring it "to be the policy of the Congress that adequate telephone service be made generally available to rural areas through the improvement and expansion of existing telephone facilities and the construction and operation of such additional facilities as are required to assure the availability of adequate telephone service to the widest practicable number of rural users of such service" (Public Law 423, 81st Congress). That statute amended the Rural Electrification Act of 1936 to make its provisions generally applicable to rural telephone development.

It was suggested that the standards of economic feasibility applied to construction of telephone facilities in prior proceedings before the commission would not necessarily be controlling in cases arising since the new law was passed. What might not be economically feasible under high-cost private financing might be feasible under lower-cost Federal financing.

In the light of that congressional policy, the commission believed that feasibility of individual lines should be determined, not only upon the number of subscribers on a particular line, but also in relation to the number of subscribers on other lines in the area. It concluded that the proposed project was feasible although some lines did not measure up to the required number of subscribers per mile.

The company proposed to render dial service throughout its entire area without a toll charge for calls between any of its subscribers. This was predicated upon the theory that all the subscribers were within a single community of interest and should, therefore, be attached to a single exchange. This proposal was considered sound and reasonable since new subscriber rates were being introduced for an entire area and distances between all subscribers were relatively short.

The company sought authority to negotiate a loan from the Rural Electrification Administration to finance the project. The commission pointed out that Congress recognized that rural telephone service on a large scale could not be provided generally without low-cost, long-term money. It, too, was mindful of the need for such financing in the proper development of rural telephone service in Arkansas, and of the need to promote and encourage the introduction of rural service on a broad scale in the state. Therefore, it would make allowances in its policy regarding capital ratios. To do otherwise, it held, would stifle the widest expansion of rural telephone service, which expansion was the purpose of the availability of the low-cost, long-term financing.

Commissioner McCulloch, Jr., dissented from that portion of the order allocating the service area. He felt that such an allocation might result in the company's taking its own good time in providing

full area coverage. In the absence of such an allocation, he believed, competing companies would tend to extend their lines as rapidly as possible. Commissioner McCulloch said that the commission should adopt a policy which would provide telephone service to all rural areas in the state as rapidly as possible. *Re Public Service Corp. (Docket No. U-410).*

## State's Delegation of Authority to Commission Upheld

In affirming a commission order approving a municipal consent to the extension of a bus line, the New Jersey Superior Court dismissed an objection that the statute under which the commission acted improperly delegated authority. The objectors claimed that a definite standard for commission action had not been established.

The court ruled that the words of the statute requiring that approved operating rights be necessary and proper for the public convenience and necessity established a sufficient standard.

The fact that the commission order did not disclose on its face that testimony was read or made known to anyone other than the commissioner who heard the case, or that a majority vote was taken, did not require the court to reverse it for invalidity. *Honhorst et al. v. Marion Bus Transp. Co., Inc. et al. 68 A2d 843.*

## Motor Carrier's Interchange with Self Ordered Stopped

An action by the Interstate Commerce Commission to require a motor carrier to desist unauthorized activities was decided by the United States District Court for the Western District of Missouri in favor of the commission.

The carrier held both a regular route certificate and a certificate permitting radial service. It had in the past established "gateway" points between the areas served under the certificates. It had followed the practice of picking up shipments in its radial territory and carrying them to a "gateway" point, from which point they would be carried over regular routes to another "gateway," with the final leg of the journey traversing another segment of its radial authority.

This complicated means of by-passing certificate limitations has been challenged on many occasions. The district court, in ordering that this practice be stopped, followed the general rule that a carrier by interchanging shipments with itself cannot in any way enlarge its operating authority or become entitled to render a through service not provided for in its certificates. *Interstate Commerce Commission v. Southwest Freight Lines, Inc. 86 F Supp 587.*

## Holding Company Distribution Plan Approved As Step in Right Direction

The Securities and Exchange Commission ruled that it would approve a plan for distribution of the assets of a subsidiary holding company ordered to dissolve, if amended in minor respects. The plan provided for elimination of all preferred stock (with huge dividend arrears), for divorcement of the company from the Electric Bond and Share holding company system, and for compromise and settlement of all intercompany claims. It also provided for recapitalization on a common stock basis, with only two electric utility operating subsidiaries.

It was noted that the plan did not propose dissolution of the holding company as required by an earlier order. But the

commission observed that a plan to be necessary within the meaning of § 11 of the Holding Company Act need not by itself effectuate complete compliance with that section. Substantial steps in compliance with § 11 would be accomplished under the plan regardless of whether the company might ultimately be permitted to continue in existence.

By leaving for later determination the question of modification of the order requiring dissolution, the commission could at least clear the way for immediate steps which must be taken in any event. If dissolution should be insisted upon, only one more step, disposition of the common stock and other minor assets, would be necessary to effectuate compliance.

The commission observed that liquidation or redemption, apart from the requirements of the Holding Company Act, was remote. For this reason it gave primary weight to respective claims to dividends in determining relative participation by the classes of preferred stocks. The relative allocations provided were held to give fair weight to all factors.

A compromise settlement of claims of the holding company against its parent company was found to be fair. The claims were based on alleged breaches of fiduciary obligations by the parent company as the controlling stockholder of the subsidiary. They arose from transactions connected with the organization of the latter company and the turnover of securities or assets to the subsidiary holding company or companies in the holding company system. The question of service fees, or profits resulting from service fees, received by the top holding company and its wholly owned service company subsidiaries from the other system companies was also involved.

It was admitted that the settlement did not have the attributes of arm's-length bargaining. However, the claims settlement was included in the over-all compromise of rights of various classes of securities. The commission found that the over-all settlement, in the light of the entire plan, fell within the range of reasonableness. It did so only after analyzing the claims asserted, weighing the countervailing considerations and defenses that had been raised, and appraising the impact of the settlement on the various classes of securities affected.

No provision was made in the plan for listing the distributable common stock of the subsidiaries which was to be exchanged for the holding company's listed stock. The commission pointed to its general practice of requiring that securities received from § 11 reorganizations should have the same type of market as the securities being eliminated. Therefore, it ordered immediate listing of all the stocks except one involving a Texas company. Representatives of that company testified that there was widespread investor and dealer interest in its stock in the state of Texas. They believed that a better market would be developed initially by over-the-counter rather than exchange trading.

The commission, in authorizing deferment of the listing of that stock, emphasized that it was not departing from its general policy of immediate listing where required. It would observe carefully the experience of this company and view this as something of an experiment, the wisdom of which could be determined only in the light of subsequent experience. *Re Electric Bond & Share Co. et al. (File Nos. 54-168, 59-12, Release No. 9359-A).*

## Distribution of Covers for Telephone Directories Unfair

THE Michigan Circuit Court granted a telephone company's application for an order restraining an advertising company's distribution of covers for its directories. The false covers displayed "ads" of local businesses obtained by solicitation in competition with the telephone company's own classified solicitors.

The court found that the ownership of the directories remained in the telephone company and that information of value to users of telephone facilities would be

hidden by the covers. Consequently their attachment to the directories would constitute an unlawful interference with the utility's business.

The court also pointed out that the practice of the advertising company amounted to unfair competition since it appropriated the utility's medium for its own business purposes. *Michigan Bell Teleph. Co. v. Wharram et al.*

## Holding Company Authorized to Donate Capital Stock of Subsidiary Service Companies to Their Officers

THE Securities and Exchange Commission conditionally approved the proposal of a holding company, ordered to dissolve, to donate all of the outstanding capital stock of three of its subsidiary service companies to their officers and executives. The holding company was also permitted to surrender its right to control its remaining system service company by relinquishing its power to appoint the trustees of a trust fund, which would be administered and controlled for the benefit of the participating companies.

It was pointed out that in the event of liquidation of the service companies the holding company would be obligated to pay severance allowances to each of the employees or officers. Under these circumstances, the commission believed that the donation of the securities was a reasonable alternative to severance pay. The commission, recognizing that it could not approve the transaction if the control previously exercised by the holding company would be perpetuated by the service companies, found that the latter companies could qualify as independent service companies under § 13 of the Holding Company Act.

The holding company was nearing the end of its liquidation program and there would be no interlocking relationships of officers or directors of the service companies with their former affiliates. The service companies, upon becoming independent, would perform no managerial services for former system companies. Whatever services they would perform would be rendered only upon specific request. The commission believed that the rôle of the service companies could be limited to rendering service of a professional and technical nature upon request and that the initiative for seeking such services would rest with the client companies.

In view of the historical relationship between the service companies and their former affiliates, the commission imposed conditions to assure that the servicing arrangements would operate as proposed. It required the service companies to file quarterly reports covering service to former affiliates, stating the extent and nature of the services rendered and amounts charged and containing copies of representative work orders. It also required that accounts of the service companies be kept in accordance with its Uniform System of Accounts. *Re Middle West Corp. et al. (File No. 70-2172, Release No. 9472).*

## Telephone Use Disapproved As Basis for Separation of Interstate and Intrastate Plant

THE West Virginia commission, although rejecting increased rates proposed by a telephone company, did prescribe higher rates to enable the company to earn at least 6.17 per cent on its rate base. These rates would enable the company to pay interest charges and earn 7.08 per cent on equity capital. Expert testimony as to the reasonableness of return was rejected where based upon the supposition that the company was operating as an independent enterprise, and not as part of the Bell telephone system.

The statute authorizing the company

to charge rates that are just and reasonable requires it to render adequate service. The company, said the commission, was failing to do this. Many people residing in the territory were unsuccessfully requesting service. Thousands of customers on congested party lines were unable to get private lines.

The company was engaged in both interstate and intrastate telephone service. For this reason the commission found it necessary to determine the value of that portion of the property devoted to intrastate business. After remarking that this presented a problem that has baffled engineers and accountants throughout the history of utility regulation, the commission observed that the Federal Communications Commission has made separation studies since 1941 without reaching any conclusions. The New Hampshire commission recently referred to the problem as "an attempt to divide the indivisible."

Several months ago a group of representatives of the Bell system companies, the independent companies, the staff of the Federal Communications Commission, and the staffs of various state commissions studied the problem and recommended certain procedures. The principal formulae proposed for the separation of plant accounts and expense accounts were based upon the relative time the various categories of plant were in actual use for interstate and intrastate business respectively.

The commission said that during 98 per cent of the time when the telephone property is not in actual use for conversation purposes, it has a potential use which is highly valuable for stand-by purposes. Costs associated with this equipment accrue continuously irrespective of its actual or potential use. In view of these costs, of the stand-by value of the equipment, and of the utter lack of relationship between the cost or value of this equipment and the time it is actually used, the commission found it difficult to see how the so-called "use" factor was applicable for the separation of the company's accounts. It said that minutes of use are no measure either of cost or of value of station equipment. A proposal to separate accounts in the same ratio as the rest of the plant of the whole Bell system was held to be more reasonable and equitable than the method proposed by the company.

The market value of telephone plant was rejected as a measure of value for the purpose of fixing rates. The commission felt that it could not be determined with the same ease and certainty as that of some commodity widely bartered in the ordinary channels of trade. Such plants are not bought and sold in such quantity or with such frequency as to enable one to form a reliable opinion of their market value. The commission considered other indices of value such as prudent investment, original cost, and reproduction cost.

The company sought a working capital allowance equivalent to operating expenses for one month. The commission believed, however, that working cash for an average 15-day period was sufficient. *Re Chesapeake & P. Teleph. Co. (Case No. 3358).*

## Other Important Rulings

THE California commission considered the aluminum industry's overall transportation requirements, and not just existing motor transportation to and from certain points specifically mentioned in a new carrier's application for operating authority, in reaching a determination as to whether public convenience and necessity required additional service. *Re Garden City Transp. Co. (Application No. 30175, Decision No. 43321).*

The Wisconsin commission, in approving telephone rates affording a 6.3 per cent return on a net book value rate base, approved a differential for common battery service rendered by means of special equipment attached to a magneto

switchboard but rejected a differential between telephone handsets and desk or wall sets. *Re Highland Teleph. Co. (2-U-3125).*

A one per cent differential in the rate of return requested by a municipal water utility on that part of its rate base assigned to public fire protection and the part assigned to general service was not considered unreasonable by the Wisconsin commission, because of the nature of the service involved and the comparative business risk. *Re Cumberland (2-U-3159).*

The appellate court of Illinois held that a contract by promoters of a natural gas pipe-line company providing for their sharing in common stock which they might save in financing the corporation, for making certain payments to themselves for services performed in selling securities, and for naming directors violated the Natural Gas Act although, at the time the contract was made, the pipe-line company had not been formed, since the purpose of the Natural Gas Act was to prohibit an officer or director from benefiting by the sale of any rights in a gas company engaged in the interstate transportation of natural gas. *Re Johnson's Estate, 88 NE2d 886.*

In allowing a municipal water utility to establish new rates which would afford it a 5½ per cent return, the Wisconsin commission cautioned that free service is forbidden and that this includes flushing of streets, sewers, and culverts, and providing water for public drinking fountains in the municipality. *Re Spring Green (2-U-3172).*

After allowing for proposed salary increases for the president, manager, and operators of a small telephone company, the Wisconsin commission authorized the establishment of rates which would afford the utility a return of 6 per cent on its net book value rate base. *Re Sullivan Teleph. Co. (2-U-3150).*

# Titles and Index

**Preprints in This Issue of Cases to Appear in PUBLIC UTILITIES REPORTS**

## Titles



## Index



**_Public Utilities Reports (New Series)_ are published in five bound volumes annually, with an Annual Digest. These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are $7.50 each; the Annual Digest $6.00. _Public Utilities Reports_ also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."**

# Re Consolidated Edison Company of New York, Incorporated, et al.

Docket Nos. G-1167, G-1171, G-1190, Opinion No. 181
October 31, 1949. Dissenting opinion, November 4, 1949

APPLICATION *by local gas companies for finding that they are not natural gas companies within the meaning of Federal Natural Gas Act and will not become natural gas companies by reason of proposed construction of pipe-line facilities, or, in alternative, issuance of certificate of convenience and necessity under Natural Gas Act; motion for dismissal of application for lack of jurisdiction denied and certificate granted.*

*Interstate commerce, § 23 — What constitutes — Wholesale distribution of natural gas.*

1. The proposed transportation of natural gas in interstate commerce through the pipe lines of a natural gas company and the integrated pipeline system of local companies to the points of delivery into the local distribution systems presents a complete and integrated operation in interstate commerce, where the flow of natural gas will be continuous and uninterrupted, without additional compression, through the proposed high-pressure transmission pipe lines of the local companies to their various local distribution systems, p. 70.

*Interstate commerce, § 37.1 — Scope of Natural Gas Act.*

2. Companies purchasing natural gas moving interstate and transporting it through their own lines to their local distributing plants are natural gas companies, within the meaning of the Natural Gas Act, where the flow of natural gas from outside the state is continuous and uninterrupted, without additional compression, through high-pressure transmission pipe lines constructed by the local companies to their various local distribution systems, p. 70.

*Gas, § 2.1 — Jurisdiction of Federal Power Commission — Exemption under Natural Gas Act.*

3. The transportation of out-of-state natural gas from a state border, in the company's own line, to its distribution plant, is not exempt from regulation by the Commission under the Natural Gas Act under § 1(b) as local distribution, p. 71.

*Gas, § 2.1 — Jurisdiction of Federal Power Commission — Natural gas company.*

4. Gas distributing companies engaged in interstate commerce, by reason of transmission line connections with a pipe-line company from which they obtain out-of-state gas, are not exempt from regulation under the Natural Gas Act on the ground that their interstate movements of their own gas, in their own lines, for their own local distribution, are a transportation

business of any kind and are not "other transportation" within the meaning of § 1(b) of the Natural Gas Act, p. 71.

*Interstate commerce, § 5 — State regulation of natural gas companies — Effect of Federal regulation.*

5. The jurisdiction of the New York Commission to regulate the local operations of natural gas companies bearing upon facts and circumstances proper for consideration of that regulatory body is not disturbed by the Federal Power Commission's exercise of jurisdiction over their facilities and operations of an interstate character, p. 73.

*Gas, § 2.1 — Jurisdiction of Commission — Natural gas company.*

6. The suggestion that de minimis interstate elements alone exist with respect to the operations of natural gas companies and for that reason jurisdiction should not be taken over such companies by the Federal Power Commission was rejected where the proposed integrated pipe-line system of the companies would have the capacity for transporting in excess of 200,000,000 cubic feet of natural gas per day, approximately that quantity of gas was proposed to be transported on a daily basis, the estimated cost of the over-all integrated project exceeded $12,000,000, with anticipated net earnings after taxes in excess of $450,000 annually, and the proposed operations would constitute an established course of business, p. 74.

(DRAPER, Commissioner, dissents.)

By the COMMISSION: This proceeding concerns the applications filed by Consolidated Edison Company of New York, Inc. (Consolidated Edison), The Brooklyn Union Gas Company (Brooklyn Union), and Kings County Lighting Company (Kings County Company), on February 9, February 18, and April 6, 1949,[1] respectively, whereby the New York Applicants request that the Commission find that they are not "natural-gas companies" as defined in the Natural Gas Act and will not become "natural-gas companies" by reason of their proposed construction of pipe-line facilities and the operation thereof, or in the alternative, if the Commission should hold that said Applicants are subject to the provisions and requirements of the Natural Gas Act by virtue of the proposed construction and operation of facilities, that the Commission issue to them certificates of public convenience and necessity pursuant to § 7 of the act, 15 USCA § 717 f.

The Applicants are all New York corporations having their principal places of business in the state of New York.

The Commission by order issued May 3, 1949, consolidated the above matters for hearing and a public hearing involving the issues presented by the several applications was held commencing on May 24th, and concluding on June 2, 1949.

Interveners included the New York State Public Service Commission and Transcontinental Gas Pipe Line Corporation (Transcontinental). Neither of the interveners opposed the applications of the New York Applicants. Counsel for the New York State Public Service Commission asserted that the proposed projects and

[1] Sometimes referred to as the "New York Applicants."

the New York Applicants were and would be subject to the exclusive jurisdiction of the New York Commission.

On June 30, 1949, motions were filed by the New York Applicants requesting dismissal of their applications for lack of jurisdiction and in opposition thereto the staff filed an answer on July 8, 1949, urging denial of said motions.

On August 10, 1949, the presiding examiner filed his initial decision wherein it was ordered, subject to review by the Commission, that the applications of the several New York Applicants be dismissed for want of jurisdiction.

Exceptions to the examiner's decision were filed by the Commission's staff on August 30, 1949.

*Principal Facilities*

Applicants propose to construct and operate the hereinafted described natural gas transmission pipe-line facilities, together with appurtenant facilities, pursuant to what has been referred to during the course of the proceedings as the New York Facilities Agreement [8] (Item C).

*Facilities of Consolidated Edison*

The facilities which Consolidated Edison seeks authorization to construct and operate will consist of 3.58 miles of 30-inch pipe, extending from a point near 132d street in New York city on the Hudson river, easterly to a point in the Bronx, approximately at 132d street and Locust avenue, from which 2.42 miles of 16-inch pipe will be installed to connect with Applicant's Hunts Point gas manufacturing plant in the Bronx, and 0.97 miles of 26-inch pipe will be laid to connect with Applicant's Astoria gas manufacturing plant in Queens. From Applicant's Astoria gas manufacturing plant in Queens, 4.10 miles of 24-inch pipe will be laid to an interconnection at the Kings county line with facilities to be constructed by The Brooklyn Union Gas Company, and from Applicant's Astoria gas manufacturing plant, 5.74 miles of 20-inch pipe to Applicant's proposed Flushing gas manufacturing plant in Queens; from the Flushing plant 6.57 miles of 16-inch pipe will be constructed to an interconnection at the Queens county-Nassau county line with facilities to be constructed by the Long Island Lighting Company [9] (Long Island Lighting).

*Facilities of Brooklyn Union*

The facilities which Brooklyn Union seeks authorization to construct and operate include approximately 2.2 miles of 24-inch pipe extending from an interconnection at the boundary line of Kings and Queens counties with facilities proposed to be constructed by Consolidated Edison, southerly to a point in Brooklyn approximately at Conselyea and Leonard streets, whence 1.0 miles of 16-inch main will be constructed to Brooklyn Union's Greenpoint Works gas manufacturing plant and 5.2 miles of 20-inch pipe will be constructed from the

[8] The Long Island Lighting Company and the Brooklyn Borough Gas Company, while parties to the aforementioned agreement, are not applicants herein.

[9] Facilities to be constructed by the Long Island Lighting Company will consist of 8.3 miles of 16-inch transmission pipe line extending from the point of interconnection above referred to at which gas is received from Consolidated Edison extending to its Glenwood Landing plant, in Nassau county, New York.

Greenpoint Works plant southerly to a point in Brooklyn approximately at Third avenue and Sixth street. From that point approximately 0.4 miles of 16-inch pipe will be laid to Brooklyn Union's Citizen Works, and another line of 2.4 miles of 16-inch pipe will be installed extending southerly from Third avenue and Sixth street to approximately Third avenue and 54th street. From Third avenue and 54th street about 0.3 miles of 10-inch pipe will be laid to the plant of Kings County Lighting Company and another line approximately 0.7 miles consisting of 12-inch pipe will be constructed to the point of interconnection at the boundary line of the 30th ward of Brooklyn with the line to be constructed by the Kings County Lighting Company.

*Facilities of Kings County Company*

The facilities proposed to be constructed by the Kings County Company will consist of approximately 2.9 miles of 12-inch pipe extending from 57th street and 7th avenue, which is the end of the facilities proposed to be constructed by The Brooklyn Union Gas Company, thence across the franchise territory of the Kings County Company to the boundary line between the Kings County Company and the Brooklyn Borough Gas Company [4] (Brooklyn borough) located at 62d Street and Bay Parkway, Brooklyn.

*New York Facilities Agreement*

The so-called New York Facilities Agreement stems from the authorization granted Transcontinental Gas Pipe Line Company in our Opinion No. 165 and accompanying order dated May 29, 1948, to transport and sell to the New York Applicants and to Brooklyn Borough Gas Company and Long Island Lighting Company a total daily demand of 194,500 thousand cubic feet of natural gas. The daily contract volumes were allotted to the respective parties as follows:

| | M Cu. Ft. |
|---|---|
| Consolidated Edison | 100,000 |
| Brooklyn Union | 60,000 |
| Kings County Company | 7,500 |
| Long Island Lighting | 20,000 |
| Brooklyn Borough | 7,000 |
| Total | 194,500 |

Under the terms of the gas-purchase contracts, Transcontinental is obligated to deliver the 194,500 thousand cubic feet of natural gas daily at or near 132d street, borough of Manhattan, city of New York.

Manifestly if each of the above-mentioned companies were to construct the facilities required to transport its portion of the natural gas through individually owned facilities from 132d street to its respective franchise area or areas, the result would be a duplication of facilities and an attendant multiple transversing of franchise areas.

It appears that the New York Facilities Agreement was entered into by the participating companies to obviate such a situation. The agreement provides that each participating company will undertake to construct, maintain, operate, and assume the cost of the facilities transversing its respective franchise area, and the combined facilities will be used jointly for the benefit of all of the participants. Under the

[4] The proposed facilities of the Brooklyn Borough Gas Company will include 2.2 miles of 12-inch transmission pipe line from its connection with the Kings County Company in a southeasterly direction to its plant in the 31st ward of the metropolitan area of New York.

circumstances, certain of the facilities will be used exclusively by the individual company constructing such facilities, however, the major portion will be used for the benefit of the group and compensation will be paid by each member benefiting to the company owning the facilities through which its gas is transported.

The physical aspects of the proposed construction program give rise to a situation wherein natural gas is transported through facilities owned by one or more of the participating companies for the accounts of one or more of the other parties of the agreement. The total daily volume of 194,500 thousand cubic feet of gas to be delivered by Transcontinental at 132d street, New York city, is to be transported and retransported as follows:-

| | Transportation of Natural Gas By: Consolidated Edison M Cu. Ft. | Brooklyn Union M Cu. Ft. | Kings County Company M Cu. Ft. |
|---|---|---|---|
| Transportation of Natural Gas for | | | |
| Consolidated Edison | 100,000 | — | — |
| Brooklyn Union | 60,000 | 60,000 | — |
| Kings County Company | 7,500 | 7,500 | — |
| Long Island Lighting | 20,000 | — | — |
| Brooklyn Borough | 7,000 | 7,000 | 7,000 |
| Total | 194,500 | 74,500 | 7,000 |

The foregoing tabulation indicates that Consolidated Edison not only will transport natural gas for its own account but also will transport natural gas through its facilities for each of the four other participating companies; Brooklyn Union will transport 74,500 thousand cubic feet of natural gas daily [received through Consolidated Edison's facilities], 60,000 thousand cubic feet of which will be for its own account, 7,500 thousand cubic feet for the account of the Kings County Company, and 7,000 thousand cubic feet for Brooklyn Borough. The latter 7,000 thousand cubic feet will be retransported through Kings County Company's facilities before delivery to Brooklyn borough. It will be noted that the facilities proposed to be constructed by Kings County Company will be utilized solely for the purpose of transporting natural gas for the account of another, namely Brooklyn borough. The natural gas to be delivered to the Kings County Company will be transported through facilities of Consolidated Edison and Brooklyn Union.

The carrying charges, operating, and maintenance expenses applicable to the jointly used facilities are to be apportioned among the participating companies on percentage bases. Carrying charges on the cost of the facilities at the rate of 13 per cent annually have been agreed upon by the participants, and consist of the following items:

| Description | | Per Cent |
|---|---|---|
| Depreciation—(straight line) | | 3.333 |
| 6% rate of return on book cost less accrued depreciation—average for 20-year contract period | | 4.000 |
| Taxes | | |
| Property | 2.700 | |
| Federal Income | 2.801 | 5.501 |
| Subtotal | | 12.834 |
| Gross Revenue tax of ½% | | .065 |
| Total | | 12.899 |
| Percentage agreed upon | | 13.000% |

The estimated annual carrying charges and operating and maintenance expenses to be incurred by the constructing companies and to be allocated among the participants are as follows:

*Estimated Annual Charges to be Incurred by:*

| | Total | Consolidated Edison | Brooklyn Union | Kings County Company |
|---|---|---|---|---|
| Estimated Annual Charges to be Allocated to: | | | | |
| Consolidated Edison | $357,000 | $357,000 | — | — |
| Brooklyn Union | 502,000 | 330,000 | $172,000 | — |
| Kings County Company | 162,000 | 60,000 | 102,000 | — |
| Long Island Lighting | 400,000 | 400,000 | — | — |
| Brooklyn Borough | 209,000 | 49,000 | 91,000 | $69,000 |
| Total | $1,630,000 | $1,196,000 | $365,000 | $69,000 |

The annual carrying charges of 13 per cent aggregate $1,501,000 based upon total estimated cost of construction of jointly used facilities approximating $11,549,000 as follows:

| Construction Company | Estimated Construction | 13% Carrying Charge |
|---|---|---|
| Consolidated Edison | $8,430,000 | $1,096,000 |
| Brooklyn Union | 2,619,000 | 340,000 |
| Kings County Company | 500,000 | 65,000 |
| Total | $11,549,000 | $1,501,000 |

Estimated annual operating and maintenance expenses of $129,000 account for the remainder of the $1,630,000 combined annual charges to be allocated under the New York Facilities Agreement.

After a careful examination and analysis of the New York Facilities Agreement and the record in this proceeding we conclude that, when reduced to its simplest terms, the New York Facilities Agreement is a transportation agreement under which each of the Applicants agrees, among other things, to transport natural gas belonging to others for an annual charge computed on the basis of the cost of rendering such service, including a return on investment in facilities used for such service. Such contract is subject to filing as a tariff by each Applicant. As submitted, it does not comply with the rules relating thereto because it is not complete as to all the necessary terms and provisions.

*Jurisdiction*

[1, 2] The record with respect to the jurisdictional aspects of the cases shows that natural gas produced in the fields of Texas and Louisiana will be transported by Transcontinental[6] through the states of Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, and Maryland, and to various points in the states of Pennsylvania, New Jersey, and New York, for resale for ultimate public consumption.

Transcontinental will deliver such gas to the New York Applicants at the east bank of the Hudson river in the city of New York, at or near 132d street, at a delivery pressure of 200 pounds.

The flow of natural gas from the agreed delivery point at 132d street will be continuous and uninterrupted, without additional compression, through the proposed high-pressure

[6] Heretofore found to be a "natural-gas company" in Re Transcontinental Gas Pipe Line Corp. Docket No. G-1143.

transmission pipe lines to be constructed by the New York Applicants to the various local distribution systems of such companies. Natural gas will be delivered to the various systems at pressures varying from 170 pounds to 50 pounds and will be introduced into the local distribution systems of such companies through pressure regulators and meters at such points of delivery.

At present, manufactured gas is generally distributed throughout the franchise areas of the Applicants from their gas manufacturing plants through intermediate transfer systems to holder stations and governors from which, by way of low-pressure systems, it passes to consumers' meters.

The New York Applicants, pursuant to the New York Facilities Agreement, propose to construct the transmission pipe-line facilities necessary to effectuate the delivery of natural gas to their respective plants in their franchise areas and each will own, operate, and maintain the facilities it constructs. The facilities, when completed and placed in operation, will form an integrated pipe-line system approximately 38 miles in length.

Consolidated Edison, Brooklyn Union, and Kings County Company will transport gas in the manner and in the volumes above outlined and the cost thereof will be assessed pursuant to the New York Facilities Agreement.

The proposed transportation of gas originating in Texas and Louisiana, through the authorized transmission pipe line of Transcontinental and the integrated pipe-line system of the New York Applicants, to the points of delivery into their local gas distribution systems, presents a complete and integrated operation having all the essential elements of interstate commerce.[6]

The plain facts, clearly established, bring each of the New York Applicants within the definition of a "natural-gas company" as set forth in § 2 (6) which provides:

"'Natural-gas company' means a person engaged in the transportation of natural gas in interstate commerce or the sale in interstate commerce of such gas for resale."

[3] The New York Applicants contend, however, that they are not, and will not become, upon completion and operation of the proposed pipe-line facilities, natural gas companies within the meaning of the Natural Gas Act and subject to the jurisdiction of this Commission under the act. They urge that the proposed facilities fall within the exemption of § 1 (b) of the act, as local distribution facilities since the facilities are essential to their local gas distribution business and that such transportation as takes place is "merely an incident to use at the end."

The Commission has previously had occasion to pass upon such contention and has flatly rejected it. Re The East Ohio Gas Co. (1939) 1 FPC 586, 28 PUR NS 129.

[4] The argument advanced by the New York Applicants that they will not become engaged in the business of transporting natural gas in interstate commerce, that § 1 (a) of the Natural

[6] Section 2(7) defines interstate commerce as follows:
"'Interstate commerce' means commerce between any point in a state and any point outside thereof, or between points within the same state but through any place outside thereof, but only in so far as such commerce takes place within the United States."

Gas Act jurisdiction was intended to reach only the business of transporting natural gas in interstate commerce, and that under § 1 (b) it was specifically not intended that jurisdiction attach to "any other transportation of natural gas" even though in interstate commerce, was urged in substance in Re The East Ohio Gas Co. (1943) 4 FPC 15, 20, 21, 52 PUR NS 91, 96. The Commission disposing of this argument stated:

"East Ohio further contends that since it does not transport the gas for sale for resale but only for its own local distribution and sale to ultimate consumers, and since it does not transport the gas for others for hire, its transportation is not a *business*, and that the act only intends to regulate transportation in interstate commerce *as a business*. The sole basis for this contention is the language of § 1 (a) of the act. But that section, which is in the nature of a declaration of policy (cf. Hartford Electric Light Co. v. Federal Power Commission [1942] 46 PUR NS 198, 131 F2d 953, 965), after reciting that 'the business of transporting and selling natural gas for ultimate distribution to the public is affected with a public interest,' proceeds to state: '. . . that Federal regulation *in matters relating to the transportation* of natural gas and the sale thereof in interstate and foreign commerce is necessary in the public interest. (Italics supplied.)'

"The use of this broad language, coupled with the absence of any expression of an intention by the Congress to narrowly limit the application of the certificate section as suggested by the company, compels the conclusion that authorization is necessary under that section for the company's proposed construction and operation. If Congress had intended otherwise, it is believed that it would have used suitable language to accomplish that result."

In connection with the foregoing discussion, we also had the opportunity to again reconsider such contention in Re The East Ohio Gas Co. (1947) Docket No. G-115, in our Opinion No. 158, 6 FPC 176, 180, 74 PUR NS 256, 260, rendered in the aforementioned matter, we again concluded that:

"Section 1 (b) of the act requires that, 'The provisions of this act shall apply to the transportation of natural gas in interstate commerce, . . . and to natural-gas companies engaged in such transportation . . . , but shall not apply to any other transportation . . . .' In the face of this language, a claim to exemption is made on the ground that the interstate movement by East Ohio of its own gas, in its own lines, for its own purposes of local distribution, is 'in no proper sense a transportation business of any kind,' and is thus 'other transportation,' within the meaning of 1 (b). 'Other transportation' is said to mean 'transportation in interstate commerce but of a character not exclusively subject to Federal regulation.' The short but complete answer is that 1(b) plainly does not so provide, and that 'other transportation' can mean only some transportation other than 'transportation of natural gas in interstate commerce.' "

The theory urged that "Such 'transportation' is 'merely an incident to use at the end,' and whether technically in interstate commerce or not is insuf-

ficient to constitute being 'engaged in transportation' as a 'business'" seems to indicate that the Applicants contend that the end use controls the classification of the proposed facilities. We emphasized in our Opinion No. 158, 6 FPC at p. 180, 74 PUR NS at p. 260, that: "Such a test apparently would require that facilities be classified according to the principal ultimate purpose they serve. And it would seem that such a construction of § 1(b) would exempt virtually all facilities used in the natural gas industry. For the principal ultimate purpose, the 'end use,' of nearly all facilities is either to bring gas to centers of local distribution, or thereafter to distribute gas locally. . . . Classification depends upon the function for which a facility is used." We adhere to that view.

A realistic interpretation of § 1(a) does not restrict or impose any limitation on § 1(b) of the act. Even if it be assumed, however, that jurisdiction can attach only to the transportation of natural gas in interstate commerce as a business, as Applicants argue, it would not be logical to assume that the transportation of natural gas in the approximate maximum daily amount of 194,500 thousand cubic feet by the New York Applicants through their integrated high-pressure transmission pipe-line system with aggregate average annual earnings of the several companies in excess of $450,000, after taxes over the 20-year contract period does not constitute being "engaged in transportation" as a "business."

It is apparent that the companies constructing facilities for the joint use by the group will receive revenue for transporting natural gas through facilities owned by each for the account of the others.

Under the terms of the New York Facilities Agreement all the elements of revenue are included in the so-called carrying charges and the operating and maintenance expenses billed to the various companies by the constructing companies.

As an illustration, Kings County Company will receive an estimated annual revenue of $69,000 from Brooklyn borough for transporting natural gas over its facilities for the account of the latter. The estimated amount of $69,000 includes not only reimbursement for operating and maintenance expenses of $4,000 but includes also approximately $20,000 for annual return on investment, $17,000 depreciation, and $28,000 for taxes.

The same situation exists with respect to the other amounts of combined carrying charges and operating and maintenance expenses billed to the various companies in the group by the companies constructing the facilities used jointly.

It is therefore our conclusion that the Applicants upon completion of the construction and the operation thereof will be engaged in the business of the transportation of natural gas in interstate commerce for compensation.

**[5]** The additional subsidiary argument is advanced that all of the properties presently owned and proposed to be constructed in the future are all within the state of New York and that no activities are presently carried on or are proposed other than in the metropolitan area of the city of New York and, therefore, the said Ap-

plicants are presently subject to the complete regulatory jurisdiction of the New York Public Service Commission and will continue to be subject to the regulation of the New York Commission upon completion and operation of the facilities herein discussed. Be that as it may, the state of New York does not have the jurisdiction to require a certificate of public convenience and necessity of the Applicants for the construction and operation of an interstate integrated transmission pipe-line system, as here considered.

(Illinois Nat. Gas Co. v. Central Illinois Pub. Service Co. [1942] 314 US 498, 506, 510, 86 L ed 371, 42 PUR NS 53, 62 S Ct 384; cf. Colorado-Wyoming Gas Co. v. Federal Power Commission [1945] 324 US 626, 629–631, 89 L ed 1235, 58 PUR NS 94, 65 S Ct 850.)

The contention of the New York Applicants, with respect to the ousting of the jurisdiction of the New York Public Service Commission is not persuasive. It is appropriate to note that the jurisdiction of the New York Commission to regulate the local operations of the Applicants bearing upon facts and circumstances proper for consideration of that regulatory body, is not disturbed by our exercise of jurisdiction over facilities and operations of an interstate character.

**[6]** Equally unpersuasive is the suggestion that de minimis interstate elements alone exist and for that reason jurisdiction should not be taken by this Commission. Such suggestion ignores the magnitude of the integrated project and operations proposed.

The record shows that the proposed integrated pipe-line system will have the capacity for transporting in excess of 200,000,000 cubic feet of natural gas per day, that approximately that quantity of gas is proposed to be transported on a daily basis, and that the estimated cost of the over-all integrated project exceeds $12,000,000, with anticipated net earnings after taxes in excess of $450,000 annually. The record further shows that the proposed operations by Applicants will constitute an established course of business. It is our opinion that the record here does not present a situation susceptible of the application of a de minimis theory.

During the course of the hearing, testimony was adduced with reference to the sale of gas for resale made by Consolidated Edison to the Westchester Lighting Company, including additional sales by the Applicants for resale pursuant to agreements between Consolidated Edison, Brooklyn Union, Kings County Company, Brooklyn Borough Gas Company, and the Long Island Lighting Company, on a temporary emergency basis. It was asserted that such sales are not and will not become subject to the jurisdiction of the Commission on the basis of future operations of the companies. The testimony of record, however, reveals that such sales for resale presently involve substantial quantities of gas and if continued in the future will involve like sales of natural gas in interstate commerce.

Since no application is now before the Commission requesting authorization with respect to the continuation of such sales, the certificates herein issued are silent with regard to that matter. They are a proper subject

for consideration in another proceeding upon application of the New York companies.

The examiner, in his decision, accepted in substance the views expressed by the New York Applicants and the New York Public Service Commission and held that the New York Applicants were not qualified Applicants, and that the applications filed by them should be dismissed for want of jurisdiction. It is our opinion that the examiner erred.

We conclude that the Applicants are qualified applicants and that upon completion of the construction and operation of the proposed facilities, they will be natural gas companies within the meaning of the Natural Gas Act.

### *Gas Supply—Markets*

*Gas Supply*

The New York Applicants propose to purchase their natural gas supply pursuant to gas contracts with Transcontinental which have minimum terms of twenty years.

The Commission has previously, in its Opinions 165 and 165-A[7] and accompanying orders issued May 29 and November 18, 1948, concluded that the natural gas reserves committed to Transcontinental would be sufficient to meet the contractual requirements of the New York Applicants from Transcontinental for a period of twenty years.

*Markets*

In the opinions above referred to, the Commission has also found that public convenience and necessity warranted the introduction of natural gas in the metropolitan area of the city of New York served by the New York Applicants in the daily volumes hereinbefore set forth (194,500 thousand cubic feet).

### *Estimated Cost of Proposed Facilities and Financing*

The total estimated cost of the facilities proposed to be constructed by the New York Applicants aggregates $12,723,000. Of this amount $11,549,000 will relate to facilities to be used jointly and the remainder will apply to expenditures for facilities to be used exclusively by the several constructing companies, as follows:

| Constructing Company | Total Estimated Cost | Estimated Cost of Facilities to be Used Jointly | Estimated Cost of Facilities to be Used Exclusively |
|---|---|---|---|
| Consolidated Edison | $9,307,000 | $8,430,000 | $877,000 |
| Brooklyn Union | 2,916,000 | 2,619,000 | 297,000 |
| Kings County Company | 500,000 | 500,000 | — |
| Total | $12,723,000 | $11,549,000 | $1,174,000 |

It will be seen from the preceding tabulation that the major portion of the proposed facilities is to be constructed and financed by Consolidated Edison. The total cost of the facilities to be constructed by Consolidated, estimated at $9,307,000 represents approximately 4 per cent of the total estimated plant additions contemplated by the company for the three years 1949, 1950, and 1951, and slightly

[7] In Re Trans-Continental Gas Pipe Line Co. Docket No. G-704; Re Trans-Continental Gas Pipe Line Co. Docket No. G-1143.

more than 11 per cent of the total estimated additions for 1949.

Although the company's plans for financing the proposed facilities had not been formulated at the time of the hearing in this proceeding, it was stated by a company witness that there would be no separate financing of this portion of the plant additions, but that the over-all requirements of the company would be financed as a unit. As of December 31, 1948, the utility plant account of Consolidated Edison System Companies aggregated $1,316,-519,613 and cash on hand totaled $36,775,992, as of the same date.

The estimated cost of $2,916,000 for facilities to be constructed by Brooklyn Union Gas Company represents approximately 2½ per cent of the company's total plant account as of December 31, 1948, which at that date aggregated $112,590,079. With respect to financing the proposed facilities, the comptroller of the company testified to the effect that if the present level of earnings is maintained, the major portion of the funds required for such financing would be obtained from the company's operations, augmented by short-term borrowings for the remainder.

The comptroller of Kings County Lighting Company testified that financing of the facilities proposed to be constructed by this company was discussed with representatives of National City Bank and Chemical Bank and Trust Company, who indicated a willingness to loan the company funds when needed. Preliminary discussions, he testified, were held also with two insurance companies concerning permanent financing.

Under the circumstances it appears that financing of the proposed facilities by the respective companies will present no unusual problem or result in any unwarranted financing costs that would be detrimental to the public interest.

*Economic Feasibility*

Based upon material prices as of May 18, 1949, it appears that there will be an annual fuel saving to Consolidated Edison of approximately $3,018,000 for the first year, with a maximum of 100,000 thousand cubic feet per day of natural gas at 80 per cent annual load factor. Similarly, it appears that there will be annual fuel savings to Brooklyn Union and Kings County Company, with their allotted annual quantities of natural gas, of $3,089,000 and $372,631, respectively, resulting in a combined estimated annual fuel saving of $6,479,631 for the first year for the New York Applicants.

The additional carrying charges, and operating and maintenance expenses estimated to be borne annually by the above-mentioned companies relating to the jointly used facilities proposed to be constructed under the New York Facilities Agreement aggregate $1,021,000. This latter amount is exclusive of carrying charges and operating and maintenance expenses relating to the facilities proposed to be constructed by Consolidated Edison and Brooklyn Union to be used exclusively by those companies. The cost of such facilities is estimated to be $1,174,-

000.[8] Under the circumstances it appears that construction of the proposed facilities will result in savings which will redound to the public interest.

In view of the fact that the proposed facilities will form an integrated pipeline system, a single appropriate order will be adopted issuing to the Applicants certificates of public convenience and necessity authorizing the proposed construction and operation, as herein described.

DRAPER, Commissioner, dissenting: I dissent from the decision of the majority as to both findings of fact and conclusions of law.

I agree that "the combined facilities will be used jointly for the benefit of all the participants," including two participants not before the Commission (Brooklyn Borough Gas Company and The Long Island Lighting Company and its subsidiaries, which are treated as one party to the agreement), but I disagree with the conclusion that the arrangement between the parties is a "transportation agreement."

In my opinion, there is here a partnership agreement under which the facilities constitute a closed pool or reservoir of commingled natural gas available to the joint participants for mixing with manufactured gas which these New York Applicants distribute to their customers.

On the undisputed facts of record here, it seems to me that there is no interstate element involved. Each participant takes delivery from Transcontinental at 132nd street and pays for it against Transcontinental's metering at that point. No act of transportation is done by any participant beyond laying the containing pipes as a closed system and seeing that they remain in good condition to hold the gas that enters, until it is withdrawn. There are no regulators on the system. There are no meters other than at the mixing plants to measure withdrawals from the pool. To find, as the majority does, that each participant compensates the other for *transporting* is contrary to the terms and intent of the agreement between the five parties, which provide for a sharing as partners in the costs of creating and operating the jointly used facilities. No element of "fee for transportation" can be found. No measure of contribution to joint costs relates to volumes of gas withdrawn from the closed pool of natural gas or to the distance within the facilities which any natural gas may move. The analogy to a storage holder tank is strong. The only interstate element which can be discovered is that the natural gas, as a matter of history, came from the Southwest across a number of state lines. Certainly none of the participants herein moves gas "between any point in a state and any point outside thereof, or between points within the same state but through any place outside thereof." (Natural Gas Act, § 2(7).)

I base my dissent squarely upon all of the logical reasoning and holdings of the United States court of appeals for the District of Columbia circuit in The East Ohio Gas Co. v. Federal

[8] Annual carrying charges at 13 per cent on this construction cost aggregate $152,620. Although the record does not provide an estimate of the annual operating and maintenance expenses applicable to these facilities based upon percentage shown for joint facilities, the amount would be approximately $13,000.

Power Commission (1949) — US App DC —, 77 PUR NS 97, 102, 173 F2d 429, which cites the excerpt last above quoted and then says of the East Ohio Company: "All of its property, including the 650 miles of high-pressure lines, is devoted to that sole purpose (local distribution). Thus, once again, the very words of the act exclude petitioner from its administration."

The mileage of high-pressure lines here involved is far less than the 650 of East Ohio. Under the East Ohio decision, ". . . by the very definition of such commerce provided in the act," no participant in the instant case moves natural gas in interstate commerce. Even though this same jurisdictional question is now in litigation before the Supreme Court of the United States, I would rather, if necessary, seem logically inconsistent, which I do not think is the result of my position, than to ride this theory of jurisdiction into the heart of New York city.

The majority suggests (at page 74) it would hold that certain interchanges of gas "if continued in the future will involve like sales (sales for resale) of natural gas in interstate commerce." But its decision and the certificates issued thereunder do not rest upon any finding of sales for resale, and the certificates, as the majority decision states, "are silent with regard to that matter." The decision therefore stands solely upon the finding that the New York Applicants "will be engaged in the transportation of natural gas in interstate commerce." I am convinced that this finding is not in accord with the undisputed facts of record nor with the express definition of interstate commerce provided in the act.

Even if the majority view that the natural gas coming from Texas and Louisiana "will continue to flow uninterruptedly in a continuous stream through the proposed transmission pipe-line system of the New York Applicants to the distribution systems of said Applicants" were a factually correct statement, I would, and do, dissent from the finding or conclusion that the New York Applicants are natural gas companies within the meaning of the Natural Gas Act.

These New York companies are solely engaged (in their gas business) in the local distribution of gas to the consumers in the world's largest metropolitan area, an area with a population of some 7,776,000 and with approximately 2,255,130 metered customers now being served (as against a population of something over 2,000,000 and 551,000 customers in the East Ohio situation). The natural gas which is the subject of this proceeding is needed as an enriching element (to replace other forms of fuel in part) in the production of enough gas to meet the demands of Greater New York. Even the majority admits that these companies have hit upon the best engineering plan in their complicated situation to take and use the natural gas this Commission made available to them sometime ago after a determination of the public convenience and necessity involved. For the majority to push a theory of jurisdiction to the lengths of this decision is, in my opinion, to exceed the bounds of jurisdiction prescribed by the Natural Gas Act and to attempt to reach into the heart of the local distribution

problem in the world's greatest city. It ignores the most fundamental element of restraint upon this Commission, namely, not to undertake to regulate what state authorities both legally and actually now and always have had authority to regulate at the local level. The East Ohio decision, already cited, 77 PUR NS at p. 104, stated this phase of the question and ruled upon it as follows:

"Stated somewhat differently, the act does not apply to petitioner, and in fact expressly excludes it, there being no regulatory gap to be filled in. All of the gas coming to East Ohio from out of state, gas furnished primarily by Hope and Panhandle, is already completely subject to Federal regulation and comes to East Ohio at a rate set by the Federal Commission. There is thus obviously no gap in regulation in this case and the attempted assumption of jurisdiction by the Federal Commission in this instance, far from supplementing and reinforcing, constitutes unnecessary, undesirable, and unintended usurpation of state regulatory authority which cannot be justified by either the terms of the act or its legislative history."

The present case seems to me to be completely analogous. The rates of Transcontinental for the sale of this natural gas to these companies are already subject to our regulation. Beyond technical elements, what more is there to regulate here? There is no gap in regulation which this Commission needs to close. As a matter of fact, if upheld, this Commission's jurisdiction will oust, as to certain matters, the present regulatory jurisdiction of properly constituted authorities of the state of New York.

Although the majority decision and its order do not rest upon a finding that there will be sales for resale of natural gas, as mentioned before, that question is not sharply resolved. I dissent from any suggestion that such a finding could be made from the facts of record as to either of the two distinct factual situations which might exist.

As to finding sales for resale of natural or mixed gas to Westchester Lighting Company by Consolidated Edison, my position is that such is impossible on this record. Consolidated Edison operates for joint account all of its own and its wholly owned subsidiary's production and distribution properties under proper state authorization. Under such approved arrangement, Consolidated Edison sells nothing to its subsidiary, Westchester. The same unified operation will continue. Mixed gas instead of manufactured gas will be produced at these plants and be sent out through the unified distribution system. Nothing else will change. To say, because natural gas is used instead of some other agent to enrich the product distributed, that a sale of natural gas for resale will occur is, in my opinion, preposterous.

As to the other situation of emergency exchanges of gas between these metropolitan distributing companies, which have occurred both with the approval and with the practical requirement of the New York Public Service Commission, likewise there is no factual basis for the finding suggested by the majority that sales for resale of natural (mixed) gas will occur.

In the first place, each applicant stated that if by any chance such emer-

gency interchanges as have occurred should be construed as constituting sales for resale under the Natural Gas Act, no such interchanges between themselves would be made and contractual provisions therefor would be canceled.

In the second place, such interchanges between these companies have been and would be made through interconnections sanctioned by the New York Public Service Commission between the existing service or distribution mains of the companies, not through the proposed facilities to be constructed. No one has suggested that this Commission take jurisdiction over the existing distribution mains of these companies or of the interconnections between such distribution systems. To find that these interchanges are sales for resale in interstate commerce rendering these companies natural gas companies under the act (interchanges made by means of distribution facilities not subject to the jurisdiction of this Commission) would be to create a most anomalous situation indeed. The next step would be to assume jurisdiction over admittedly local distribution facilities now in existence.

It is even more important to note that such a finding with respect to emergency exchanges for the purpose declared by the New York Public Service Commission of strengthening the continuity of domestic service during emergencies which impair the local distribution of any company so interconnected, would be to assert jurisdiction over that phase of local distribution. Such action would prevent the state authority from freedom of action in protecting the continuity of service to domestic users. This is so foreign to the purposes of the Natural Gas Act as to require no further comment. Congress intended to close the gap between Federal and state jurisdiction in order to safeguard the public interest, not to overlap one upon the other.

*FEDERAL POWER COMMISSION*

# Re Fresno Irrigation District et al.

Projects Nos. 1925, 175, 1988, Opinion No. 183
November 10, 1949

APPLICATIONS *by irrigation district and by privately owned and operated electric company for permits for hydroelectric development, wherein opposition is filed by Secretary of Interior and Federal Reclamation Bureau; opposition overruled and licenses granted in part.*

*Water, § 18.2 — Hydroelectric power project license — Prior rights of Federal government.*

1. The Federal Bureau of Reclamation's plan for development of a river

basin, including construction of several power projects, did not afford a proper basis for withholding approval of applications of an irrigation district and an electric company for licenses for a hydroelectric project, where both the irrigation district and the electric company had submitted proposals for more complete development than was proposed by the Bureau, the Bureau's plans were contingent upon many uncertain factors, and there was no assurance that a sound proposal could be prepared, p. 84.

*Water, § 5 — Commission powers — Hydroelectric power project license.*

2. The Federal Power Commission has broad discretionary authority to delay utilization of water-power resources where delay is found to be in the public interest, but the Federal Power Act does not contemplate delay beyond the time when it is economically feasible to provide for construction with the safeguards of licensing conditions, p. 84.

*Water, § 18.2 — Hydroelectric power project license — Factors considered.*

3. The Commission, in passing upon an application for authority to construct a hydroelectric power project, opposed by Federal agencies on the ground that future development of the water resources involved should be left exclusively to the United States Government, must consider the effect of continued uncertainty upon the general public in the area affected, in addition to the desirability of using water power whenever it is more economical than the use of nonreplaceable fuels, p. 84.

*Water, § 18.2 — Hydroelectric power project license — Preliminary permit.*

4. An irrigation district applying for a preliminary permit for a hydroelectric development need not show a market for the power at the time of filing its application, since a preliminary permit is authorized under the Federal Power Act for the purpose of making surveys to determine what power installations would be justified, to obtain markets, and to complete financial arrangements, p. 85.

*Water, § 18.2 — Hydroelectric power project license — Factors considered.*

5. In determining the size of the power installation that can economically be constructed at any particular water-power site, consideration must be given to the characteristics of the water flow available and the characteristics of the power load which can be served, p. 85.

*Water, § 18.2 — Hydroelectric power project license — Preliminary permit.*

6. An irrigation district should be given a preliminary permit for a hydroelectric plant where it could perfect its plans for serving some of the essential pumping requirements of its members so that it would not be dependent upon an electric company for financial success of such an undertaking, and where it could serve a very useful function in adequately utilizing the water-power resources at that dam, p. 85.

APPEARANCES: Gilbert H. Jertberg and Walter H. Stammer, for applicant, Fresno Irrigation District; Robert H. Gerdes and William Kuder, for applicant, Pacific Gas and Electric Company; Willard W. Gatchell and John C. Mason, for staff of the Federal Power Commission; Charles F. Lawrence, for Department of Agriculture, Office of Solicitor; C. T. Waldo and John Matthews, for the city of Los Angeles, California, and the Department of Water and Power of Los Angeles, California; Spencer Bur-

roughs, for the Division of Water Resources of the Department of Public Works, and the Office of State Engineer, of the State of California; O. G. Stanley, for Division Office, Corps of Engineers, South Pacific Office, United States Army; William A. Dill, for California Division of Fish and Game; Leland Graham, E. K. Davis, and Miss Helen Moss, for Bureau of Reclamation, United States Department of the Interior; Bert J. G. Tousey, for Fish and Wildlife Service, Department of the Interior; George Sehlmeyer, for California State Grange; Paul R. Reeves, for State Building Construction Trades Council of California and the California Federation of Labor; O. M. Davis, for Central Valley Project Conference; Joe C. Lewis, for California Research and Legislative Committee.

By the COMMISSION:

*The Applications Presented*

In February, 1945, Fresno Irrigation District, with headquarters in Fresno, California, on its own behalf and as trustee for others, filed an application for a preliminary permit pursuant to § 4(f) of the Federal Power Act, 16 USCA § 797(f), for a hydroelectric development, designated as Project No. 1925. It desired the priority conferred by the statute during a 3-year period which it considered necessary while procuring data and performing the acts incident to perfecting its application for a license for its proposed hydroelectric power development to be located on the North Fork and main channel of the Kings river in California, including a power plant at the Pine Flat dam now under construction by the United States.

The project proposed by the district was contingent upon construction of the Pine Flat dam. It was not until June, 1946, that the chief of engineers and the Commissioner of Reclamation issued a joint statement in which it was agreed that the corps of engineers would construct the Pine Flat dam. Subsequently the Commission staff made a study of the application and recommended a hearing. On December 11, 1947, the Commission ordered that a hearing on the district's application be held commencing January 26, 1948. Prior to the date set the district requested that the hearing be postponed. By appropriate order of January 8, 1948, we postponed the hearing to an unspecified date. By order of April 6, 1948, we fixed May 17, 1948, as the date for a consolidated hearing on the several applications involved in this proceeding.

In January, 1948, Pacific Gas and Electric Company, San Francisco, California, filed an application under § 4(e) of the act for a license for a proposed hydroelectric power development to be located on Helms creek, North Fork, and the main channel of Kings river, Project No. 1988, and a second application under § 6 of the act, 16 USCA § 799, for amendment of the license for Project No. 175, which it holds, to permit enlargement of its existing Balch plant.

These applications, together with an application for preliminary permit (Project No. 1990) filed by Francis N. Dlouhy, who has since withdrawn from the proceedings, were consolidated for hearing purposes and a public hearing was held during the month of May, 1948, in Fresno, California, before an examiner. The Secretary

of the Interior recommended that all of the applications be denied and representatives of the Bureau of Reclamation participated in the hearing in opposition to all of them, urging that further development of the water resources of the Kings river be left exclusively to the United States under the Bureau's proposed comprehensive plans.

The presiding examiner, in his decision dated November 30, 1948, recommended that the Commission find that development of these water resources should be undertaken by the United States and that the Commission so report to Congress in accordance with § 7 (b) of the act, 16 USCA § 800 (b), which in effect would deny the pending applications. Exceptions were taken to these recommendations and oral argument was had before the Commission on October 13, 1949, and we have carefully considered all of the evidence presented, the briefs and exceptions filed, and the oral argument. Representatives of the Bureau of Reclamation have continued full participation in this proceeding, including the oral argument, and were even permitted to file a brief in reply to the exceptions taken to the presiding examiner's recommendations.

Since the Pacific Gas and Electric Company applications offer the most complete development, a brief description of its proposal is appropriate. The Kings river drains about 1,700 square miles on the western slope of the Sierra Nevada Range in Fresno and Tulare counties, California. The main stem is formed well up in the mountains by the confluence of several forks, the principal ones being known as South, Middle, and North Forks. Under the Flood Control Act of 1944 the Secretary of the Army is constructing a large flood control reservoir at Pine Flat, downstream from the mouth of North Fork. The Pine Flat dam is being so constructed that a power plant may later be constructed as a part of the complete development, but no provision has been made for construction of the power plant by the United States up to the present time and one of the applicants, Fresno Irrigation District, has requested a preliminary permit covering that plant.

On North Fork the power company now operates the Balch plant with an installed capacity of about 40,000 horsepower under license as Project No. 175. It requests authority to increase this installation to about 160,000 horsepower or 115,000 kilowatts. It also proposes construction of the Helms reservoir with 102,500 acre-feet of storage capacity, the Wishon reservoir with 128,000 acre-feet of storage capacity, and power installation at Wishon, Haas, and main stem Kings river sites of about 223,000 horsepower or 159,000 kilowatts utilizing an effective head of 2,977 feet in all and giving a combined total generating capacity in the several plants of about 274,000 kilowatts.

*Proposal of the Bureau of Reclamation*

Pursuant to the Reclamation Act of 1902, as amended, the Secretary of the Interior submitted to the President, under date of July 29, 1948, a report on a comprehensive plan for development of the Central Valley Basin in which the Secretary recommended that the United States, through the Bureau of Reclamation, construct several projects, including the Kings

river projects involved in this proceeding.

Although the hearing on the pending applications had been concluded in the preceding May, the record was opened by the Commission for incorporation of this report, together with the comments thereon of the Department of Agriculture and the Commission.

The Bureau proposes acquisition and enlargement of the existing Balch plant (Project No. 175) and construction of the Haas power plant, the Wishon dam and reservoir, and a small generating unit at the latter dam, although the power installations were to be much smaller than those proposed by either of the applicants, totaling only 101,500 kilowatts. The Bureau also proposed construction of a power plant at the Pine Flat dam.

The plan of the Bureau did not include construction of any irrigation works in the North Fork or for irrigation use of any of the water from the Kings river watershed. It contemplated, however, that any profits derived from the sale of power generated at these facilities might be used to offset irrigation costs in other watersheds. It also proposed to use electric energy so generated for pumping purposes in the Kings river area and in other watersheds.

Serious question as to the economic and engineering feasibility of the Bureau's plan was raised in the exceptions filed to the examiner's report. Under date of August 15, 1949, the President of the United States returned the Secretary's report, together with a related report of the chief of engineers, with the comment that they did not contain "sufficient information with respect to engineering and economic feasibility to justify their approval as a comprehensive valley plan." As a result of the President's directive, the Secretary of the Interior on August 29, 1949, revised his recommendations to exclude the Upper Kings river power projects from the list of projects for which he requested authorization from Congress.

**[1-3]** We are confronted with the suggestion that we should withhold approval of the pending applications and reserve development of these water resources exclusively for the United States on the possibility that at some time in the future a more economic plan of development may be worked out. We are not persuaded that the revision of the Bureau's plan for the Kings river approved by the Secretary of the Interior on October 13, 1949, and incorporated in this record, affords a proper basis for withholding our approval of the applications at this time. Both the Fresno Irrigation District and the Pacific Gas and Electric Company have submitted proposals for more complete development than that proposed by the Bureau. The Bureau's plans are contingent upon many uncertain factors, such as adequate steam support and markets, and there is no assurance that a sound proposal can be prepared. Under these circumstances it does not appear to us to be in the public interest to allow these water resources to remain idle.

As we have previously pointed out in other connections, while Congress has given to the Commission broad discretionary powers to delay utilization of water-power resources where

delay is found to be in the public interest, the Federal Power Act does not contemplate delay beyond the time when it is economically feasible to provide for construction with the safeguards of the licensing conditions. In addition to the desirability of using water power whenever such use is more economical than the use of nonreplaceable fuels, the Commission must consider the effect of continued uncertainty upon the general public in the area affected.

While the Upper Kings river developments are in the general area for the improvement of which the comprehensive Central Valley Basin plans have been inaugurated, question has been raised as to whether or not these particular developments are essential to the consummation of the Bureau's comprehensive plan. We do not find it necessary to decide this question because in any event the only use of water resources proposed here for the North Fork and at the Pine Flat dam is a water-power use, bringing these developments clearly within the Federal Power Act, although they would also be within the licensing authority of the act if power use could be harmonized with other uses.

For the reasons herein outlined, we are unable to agree with the Bureau of Reclamation or with the examiner that development of these particular water resources should be reserved exclusively for possible development by the United States.

*Fresno Irrigation District*

The Fresno Irrigation District, on its own behalf and as trustee for a number of other irrigation districts and interests, in February, 1945, applied for a preliminary permit for the same facilities as are covered in the later application of Pacific Gas and Electric Company, with the exception of the Helms reservoir and a small power plant at the Wishon dam. The power company proposes to install in the North Fork plants a total of approximately 274,000 kilowatts of generating capacity, but the Fresno District proposes to install approximately only 144,000 kilowatts of capacity. Both would include the presently installed capacity at the Balch plant and the Fresno District would also include the power plant at the Pine Flat dam, which would add about 60,000 horsepower.

The Fresno District itself appears to be a well-established, prosperous irrigation district organized under the laws of California. It is clearly a municipality within the meaning of § 3 (7) of the Federal Power Act, as are most of the other concerns for which it is acting as trustee. Although the power company argued that the Fresno District was not entitled to the preference accorded to municipalities by § 7(a) of the Federal Power Act, we are persuaded that under appropriate circumstances this preference should be accorded. In referring to the Fresno District herein, we also include the interests which it represents as trustee.

**[4–6]** A preliminary permit is authorized under the Federal Power Act for the purpose of making surveys to determine what power installation would be justified, to obtain markets, and to complete financial arrangements. Therefore, the Fresno District, as an applicant for a preliminary permit, should not be required to show a market for the power at this time.

Since its organization, the Fresno District has not engaged in the distribution of electric power. In order to dispose of the power from the plants which it proposes to build if a license application is subsequently filed and approved, the District would have to acquire or construct a transmission and distribution network and engage generally in the power business, or it would have to sell the power output to some public utility system capable of utilizing the type of power to be developed. The only available utility customer within economic transmission distance appears to be Pacific Gas and Electric Company.

In determining the size of the power installation that can economically be made at any particular water-power site, consideration must be given to the characteristics of the water flow available and the characteristics of the power load which can be served. In the Upper Kings river the water flow is extremely irregular and two large storage reservoirs can be constructed, one of 128,000 acre-feet capacity and the other of 102,500 acre-feet. If the power generated at the Upper Kings river power plants is used to supply peak loads, these loads having a relatively short duration, the installation can be very much greater than if the available water is used over longer periods of time. With the larger power installations proposed by the company the sites would have larger capacity value.

In order to fully utilize the waters of the North Fork to their utmost economic value for power purposes it appears to us that the generating capacities proposed by the company must be installed.

Best uses of water resources available in the Upper Kings river require not only daily peaking operation at any power plants constructed for their utilization, but also, because substantially all of the water has been appropriated for irrigation, there must be some seasonal irregularities in power plant operation as well. This means that these water resources have a very narrow range within which they can be most completely utilized. To make best use of these resources, power plants on the North Fork must be used for peaking purposes and they must be supported by other hydroelectric power plants in other watersheds which can supply the loads during those portions of the year when the seasonal irrigation use of the water is reduced.

The Fresno District could utilize some of the power which it could generate in the proposed power plants to serve the base load requirements of its own members or other consumers in that area. If such a use were made, however, the remaining power output might not have sufficient energy to make the unused capacity of substantial value to like systems or districts. Of course, if the district should attempt to operate in part to serve its own members with the balance being sold to Pacific Gas and Electric Company, as the only customer, it might be largely dependent upon the power company for the financial success of the enterprise.

The evidence shows that the only large power developer which has the requisite additional generating capacity and power loads with suitable characteristics to justify efficient and economic operation of these proposed North Fork plants is Pacific Gas and

Electric Company, and not the Fresno District. Therefore, regardless of the time to which the Fresno District would be entitled under a preliminary permit to complete its studies and investigations, there does not seem to be any possibility of it making a reasonable and economic use of these water resources in accordance with the requirements of § 10(a) of the act, 16 USCA § 803(a), for conformity with a comprehensive plan of development.

We do not mean to imply that the Fresno District is entirely at the mercy of the competing applicant in joint efforts to develop these water resources. The power company cannot operate its proposed developments successfully without coöperating with the irrigationists who hold water rights which cannot be disturbed without their permission. Both applicants are well established, are financially sound, are fully aware of their legal rights and obligations, and, in our opinion, are well able to protect the interests of those whom they represent.

If the Fresno District should be given a preliminary permit for a power plant at the Pine Flat dam, it seems to us it could then perfect its plans for serving some of the essential pumping requirements of its members whereby the district might not be dependent upon the power company for financial success of such an undertaking. Thus the district could serve a very useful function in adequately utilizing the water-power resources at that dam. We, therefore, are denying its application for the North Fork developments but granting it for the Pine Flat power plant. The Bureau of Reclamation has available from its large power installation at the Shasta dam sufficient power for its own requirements in connection with the Central Valley Project.

*The Applications of the Pacific Gas and Electric Company*

The power company has proposed immediate construction of those facilities which in our opinion would most completely and efficiently utilize the available water resources of the Upper Kings river for all public purposes. Having previously described those facilities and the conflicting interests, it is only necessary to briefly discuss the features of the company's proposal that convinced us that the public interest will be protected and most completely served if a license is granted in accordance with the power company's application.

The possibility of Federal development of these particular resources is so remote as to negate the proposal for their continued wastage in the expectation that some greater public benefits not now ascertainable may subsequently be obtained. If a demonstrable advantage would result from Federal development, a recommendation to Congress to that effect under § 7(b) of the act would be justified, but no such demonstration has been given here.

Likewise, the rates of the applicant power company as a public utility must be based upon the cost of the facilities which it operates to supply power and it is desirable to develop those sources of supply which utilize water power rather than fuel if the costs are lower as the company has demonstrated with respect to the water-power resources here. The North Fork water resources lend themselves to economic development and the pub-

lic should have the advantage of their utilization. After twenty-nine years of administration, the Federal Power Act has established itself as a sound conservation statute under the aegis of which such water resources may be utilized with every protection which Congress, during this period, has considered desirable for the benefit of the public.

Also, the power company operates a large public utility system which is in need of additional generating capacity if the public is to continue to be served adequately. The increase in the Balch power plant and the new generating capacity which the proposed facilities would provide would fit into the power supply facilities of the company in a desirable manner and the output can be economically utilized in the company's power market. This is particularly so in this instance because the irregular stream flow requires low load factor operation for best utilization. If the company constructs these facilities it will have available a fairly large peaking capacity in these plants which can serve a substantial block in the peak of its system loads. As the examiner found, the company's proposal will be best adapted to a comprehensive plan of development of these water resources as required by § 10 (a) of the act before a license can be authorized.

The company has shown that it has financial ability to commence work immediately on these facilities and to complete them. However, before it undertakes construction it will be necessary for it to negotiate an agreement with the water users in the Kings river service area covering the storing and releasing of water in its proposed reservoirs. Since such an agreement is a prerequisite to actual construction, we make it a prerequisite to the issuance of the license instrument and allow six months from the date hereof within which to consummate the agreement.

Although the Secretary of the Interior recommended denial of the application and the setting aside of these water resources for Federal development, the Chief of Engineers, Department of the Army, who has been authorized by Congress to construct the Pine Flat dam and reservoir, offers no objection to the issuance of a permit or license to the applicants. He recommends, however, the inclusion in any permit or license of certain special conditions which he considers will adequately protect the interests of the United States.

One of the conditions which the chief of engineers recommends would require the company to make reimbursement for the reservation of power storage in the Pine Flat reservoir. This is necessary because of the peculiar situation existing in this watershed. Practically all of the natural stream flow is claimed by irrigation appropriators. Before the two proposed power reservoirs are filled, some arrangements will have to be made for storage of high flows without infringing upon the rights of the appropriators. If some storage capacity is made available in the Pine Flat reservoir to compensate for power storage upstream, all of the several interests will be very greatly benefited. If this is done, however, the company should make reimbursement for the storage made available for this purpose as the chief of engineers recommends. We

are, therefore, including in our license authorization the special conditions requested by the Chief of Engineers.

The government lands involved in this proceeding have been reserved for national forest purposes and withdrawn for power purposes under First Form Reclamation Withdrawals, by Executive order, and pursuant to § 24 of the Federal Power Act, 16 USCA § 818, upon the filing of applications for preliminary permits and licenses. The Secretary of the Interior has objected to the issuance of any license within the reservations created by the First Form Reclamation Withdrawals as being in conflict with the purposes of such reservations. The Secretary of Agriculture, who has supervision over the same lands under the reservation for national forest purposes, interposes no objections to the issuance of a license, and does not consider that power use under a license would interfere or be inconsistent with the purposes for which the forest reservations were created.

It should be noted, however, that the only use for which the lands in question have been reserved (aside from forest use) is a power use and that the Secretary of the Interior proposes only power use of these particular lands. Whether these reserved lands are utilized by a project licensed under the act or by a project built and operated by the United States, the lands will, in either case, be used for power purposes. Therefore, it is apparent that the issuance of a license for a project within First Form Reclamation reservations created for power purposes will not interfere or be inconsistent with the purposes for which such reservations were created.

Appropriate orders will issue on the several applications in conformity with this opinion.

*PENNSYLVANIA PUBLIC UTILITY COMMISSION*

# Lower Paxton Township Supervisors et al.

*v.*

# Harrisburg Suburban Water Company

Complaint Docket No. 14788
November 14, 1949

COMPLAINT *filed by community club and township supervisors against water service; club's complaint dismissed and motion to dismiss supervisors' complaint denied.*

*Service, § 487 — Complaint against water company — Proper parties — Club.*

1. A nonprofit community club which is not a customer of a water company and has no contractual relationship with it is not a party having an interest within the purview of § 1001 of the Public Utility Law entitling it to com-

plain against water service, even though a majority of its members are consumers of the company, p. 91.

*Service, § 487 — Complaint against water company — Proper parties — Town officials.*

2. The supervisors of a township constitute a party having an interest within the meaning of § 1001 of the Public Utility Law enabling them to complain against a water service where formal action of the supervisors authorized institution of the complaint and where the secretary of the board of supervisors is a proper party to act on behalf of the township, p. 91.

By the COMMISSION: Lower Paxton Township Supervisors and The Community Club of Colonial Park, on September 27, 1949, filed their joint complaint against Harrisburg Suburban Water Company. The complaint, after setting forth the names and addresses of the respective parties and their attorneys, averred that respondent is a water company having exclusive franchises in Lower Paxton township, Dauphin county, for the distribution of water; that service offered by respondent is inadequate, inefficient, and faulty in that sufficient and adequate pressure is not regularly maintained either for public fire protection or domestic consumers; that respondent has refused to extend its lines to meet the needs of prospective customers; that respondent has failed to serve prospective customers within its franchise area; that the present source of water supply to said prospective consumers is contaminated; that respondent has failed to make use of available water for the needs of its consumers; and requests that respondent be made to remedy and correct the aforementioned deficiencies in service.

The complaint was regularly signed and sworn to by Charles C. Rabuck, secretary of Lower Paxton Township Supervisors and by James R. Pifer, president of The Community Club of Colonial Park. Attached to the complaint is a copy of the motion adopted by said supervisors authorizing institution of suit protesting the inadequate, inefficient, and faulty service offered by respondent company.

Harrisburg Suburban Water Company, respondent, on October 5, 1949, filed its motion to dismiss complaint asserting, inter alia, that The Community Club of Colonial Park is not a customer of respondent and has no contractual relationship with it; that it does not have an interest in the subject matter of the proceeding within the meaning of § 1001 of the Public Utility Law and is, therefore, not a proper party to institute the instant proceedings; that The Community Club had no power or authority by reason of charter or otherwise to institute or prosecute the complaint; that Lower Paxton Township Supervisors did not sign or execute the complaint in that the individual who did sign the complaint is not the one named in the so-called motion attached to the complaint; and, that the complaint avers conclusions and does not set forth specific factual averments which can be answered.

The Community Club and the Township Supervisors on October 18, 1949, filed their answers to the mo-

tion to dismiss the complaint. The Community Club admitted that it was not a consumer of respondent utility and had no contractual relationship with it. It denied, however, that it did not have an interest in the subject matter of the proceeding within the meaning of § 1001 of the Public Utility Law. It averred that it was a duly chartered and existing nonprofit corporation with a membership of more than 933 members, a majority of whom are consumers of respondent; that the filing of the complaint was authorized by proper resolution of the board of directors, which action was ratified and confirmed at a regular meeting of the membership held October 6, 1949; and, that at said meeting James R. Pifer was constituted the agent of the consumer membership to prosecute said complaint.

Section 1001 of the Public Utility Law, 66 PS § 1391, provides: "The Commission, or any person, corporation, or municipal corporation having an interest in the subject matter, or any public utility concerned, may complain in writing, setting forth any act or thing done or omitted to be done by any public utility in violation, or claimed violation, of any law which the Commission has jurisdiction to administer, or of any regulation or order of the Commission."

[1, 2] The meaning of "having an interest in the subject matter" is well illustrated by the orders of this Commission in Hegarty v. Luzerne County Gas & E. Corp. (1941) 23 Pa PUC 118, and Pennsylvania Hotels Asso. v. The Bell Teleph. Co. (1949) Complaint Docket No. 14141, 78 PUR NS 120.

In the former proceeding a motion to dismiss the complaint of the Municipal Ownership Water League of Wyoming Valley, Inc., was granted for the reason that it was not a proper party complainant. The league was not a consumer but it had consumers of the respondent among its members. It was there held that the league was a nonprofit corporation having an existence separate and apart from that of its members. Any injury to a consumer by the respondent utility occasioned no cause of action belonging to the league and it was not entitled to litigate such causes of action merely because some of its members might have done so. Nor was the league a proper party to bring a representative action. Such actions may be brought only by one of a class for the benefit of others similarly situated; not by a stranger to the class.

In the latter proceeding, this Commission in its final order of April 11, 1949, held that Pennsylvania Hotels Association was not a party having an interest in the subject matter. It was said at p. 122 of 78 PUR NS:

"It has not asserted that it has brought this complaint as a consumer . . . The source of interest is said to be its status as a representative for parties who would have a definite standing to institute the complaint. The necessary interest cannot exist solely by reason of an assertion of agency: Pennsylvania Commercial Drivers Conference v. Pennsylvania Milk Control Commission (1948) 360 Pa 477, 483, 62 A2d 9."

Complainant relies upon our order in Conyngham Valley Lions Club v. Conyngham Water Co. (1949) Complaint Docket No. 14687, 80 PUR NS 92, to sustain its status as a per-

son "having an interest" in the subject matter. Our holding in that case has obviously been misconstrued for in granting a motion to dismiss the complaint we relied upon Hegarty v. Luzerne County Gas & E. Corp. *supra*. One of the issues presented and decided was whether an allegation that various members of the Municipal Ownership League were consumers of the respondent water company and that the league was undertaking to act in their behalf would satisfy the requirement of the statute requiring a complainant to have an "interest" in the subject matter of the complaint. It is held that such an allegation was insufficient.

The Community Club of Colonial Park admits that it is not a consumer of respondent and that it has no contractual relationship with it. That a majority of its members are consumers does not operate to create in the club any right to represent them or in any way assert or enforce rights which they as individuals might have. The motion passed by The Community Club on October 6, 1949, a copy of which is attached to the complainant's answer to the motion to dismiss and which authorizes and instructs the president to represent and act on behalf of the corporation who are consumers, is nothing more than an authorization by The Community Club to prosecute the complaint. It does not in any way constitute Pifer an agent in fact of the individual consumers. In so far as the instant proceedings are concerned, it is of no value.

In view of the foregoing, the Commission is of opinion and finds that The Community Club of Colonial Park is not a person or corporation "having an interest in the subject matter" within the meaning of § 1001 of the Public Utility Law. Accordingly, the motion to dismiss the complaint in so far as it relates to it must be granted.

In so far as the complaint of Lower Paxton Township Supervisors is concerned, the motion to dismiss asserts that the complaint was not properly made on its behalf, and that there are contained therein only conclusions and no specific factual averments which can be answered. It should be noted that the formal action of the supervis- that the formal action of the supervisors, a copy of which is attached to the the instant complaint. Further, the secretary is a proper party to act on behalf of the township. The averments are sufficiently detailed and specific.

# Re Florida Power & Light Company

File No. 71-5, Release No. 9438
October 21, 1949

APPLICATION *by public utility subsidiary of holding company for approval of accounting adjustments relative to its electric, gas, and ice plants; accounting adjustments prescribed.*

*Accounting, § 32 — Amortization of plant acquisition adjustments.*

1. A public utility subsidiary of a holding company should amortize electric plant acquisition adjustments over a reasonable period of time, p. 95.

*Accounting, § 32 — Adjustments — Reserve for contingencies.*

2. A public utility subsidiary of a holding company was required to transfer the balance remaining in its Reserve for Contingencies to its Reserve for Amortization of Electric Plant Acquisition Adjustments and to continue accruals thereto until such time as the reserve would be equal to the amount classified in Electric Plant Acquisition Adjustments Account, such accruals to be made by charges to Miscellaneous Amortization, p. 95.

By the COMMISSION: Florida Power & Light Company ("Florida"), a public utility company and a subsidiary of American Power & Light Company, a registered holding company subsidiary of Electric Bond and Share Company, also a registered holding company, has filed studies and amendments thereto pursuant to the Public Utility Holding Company Act of 1935, particularly §§ 15 and 20 (b) thereof, and Rule U-27 thereunder, relative to the original cost and reclassification of its plant accounts as at December 31, 1941, including proposals for the disposition of adjustments relative to its electric, gas, and ice plants.

Notice of filing of these studies and amendments was duly given. However, no request for a hearing was received by the Commission and none was held. On the basis of the record in this proceeding, we make the following findings:

On March 19, 1947, Florida initially filed original cost and reclassification studies of the company's plant accounts as of December 31, 1941. The studies were filed in accordance with Plant Instruction 2-D of the Uniform System of Accounts prescribed by the Federal Power Commission for electric utilities, or the Uniform System of Accounts recommended by the National Association of Railroad and Utilities Commissioners for gas utilities. Both of the above-mentioned systems of accounts are applicable to Florida by virtue of this Commission's Rule U-27, promulgated under the Public Utility Holding Company Act of 1935. In said studies Florida represented that $10,476,301.82 had

been reclassified to Account 100.5—Electric Plant Acquisition Adjustments, and $29,617,839.50 to Account 107—Electric Plant Adjustments.[1]

The staff of the Commission made a field examination and filed its report in connection therewith. Copies of the staff's report were submitted to the company. Florida has amended its studies to give effect to the recommendations contained in the staff's report and now proposes to classify $10,169,490.74 in Account 100.5—Electric Plant Acquisition Adjustments, an amount of $32,732,495.94 in Account 107—Electric Plant Adjustments, an amount of $204,486.41 in Account 108.17—Gas Plant Adjustments, and an amount of $2,057,220.38 in Account 108.27—Ice Plant Adjustments.

Between the effective date of its original cost study and the date of filing thereof, Florida disposed of a total of $29,617,839.11 of Account 107, pursuant to proposals which were authorized by an order of this Commission, dated December 28, 1943, 15 SEC 85. Also pursuant to proposals authorized by the above-mentioned order, and an order dated July 17, 1947, Florida established a "Reserve for Plant Adjustments" in the total amount of $2,815,655. Of the above-mentioned reserve $1,815,655 was established for the disposition of such capitalized intrasystem profits as might properly be reclassified to Account 107, and $1,000,000 for the general disposition of other items reclassified to Account 107.

Pursuant to the terms of the Commission's order of December 28, 1943, as amended by the order of July 17, 1947, Florida was ordered to credit Account 258—Reserve for Contingencies with a total amount of $700,000 per annum, to continue until the determination of the definitive amount to be classified to Account 100.5—Electric Plant Acquisition Adjustments. There was $3,500,000 in such reserve on December 31, 1948.

Florida proposes to charge Account 258—Reserve for Contingencies, in an amount of $703,003.57, to charge Account 250—Reserve for Depreciation in an amount of $3,072,921.48, to charge Reserve for Plant Adjustments in an amount of $2,815,655.00, to credit Account 250—Reserve for Depreciation in an amount of $1,215,216.43, to credit Account 107—Electric Plant Adjustments in an amount of $3,114,656.83, to credit Account 108.17—Gas Plant Adjustments in an amount of $204,486.41, and to credit Account 108.27—Ice Plant Adjustments in an amount of $2,057,220.38. The result of such transactions will be to eliminate all Plant Adjustments in electric, gas, and ice plants.

Florida has made no proposal, however, with respect to the continued amortization of Account 100.5 items until a full reserve has been provided therefor. In addition, Florida has made no representations as to the disposition of any balance remaining in Reserve for Contingencies, which reserve has been accumulated pursuant to orders of this Commission pending determination of the definitive

[1] Account 100.5 represents, generally speaking, the amounts by which the arm's-length cost to the company of such property exceeds the original cost of the property. Accounts 107, 108.17, and 108.27 represent, generally, the amounts by which book carrying values of properties exceed arm's-length cost to the company of such properties.

amounts to be reclassified to Account 100.5.

[1, 2] We have consistently required the amortization over a reasonable period of time of Account 100.5 items and Florida has presented no reason for a departure from this policy. In addition, we are of the view that under the circumstances the balance remaining in the Reserve for Contingencies should be transferred to Account 252—Reserve for Amortization of Electric Plant Acquisition Adjustments. Accordingly, our order will require that Florida transfer the balance remaining in Account 258—Reserve for Contingencies to Account 252—Reserve for Amortization of Electric Plant Acquisition Adjustments and will also require that accruals thereto at the rate of $456,500 a year continue until such time as this reserve is equal to the amount classified in Account 100.5—Electric Plant Acquisition Adjustments, and that such accruals should be made by charges to Account 537—Miscellaneous Amortization. Our opinion and order herein, of course, are not intended to be a determination of the appropriate treatment to be accorded the annual accruals to the Reserve for Amortization of Electric Plant Acquisition Adjustments, the said Reserve, or Electric Plant Acquisition Adjustments, for purposes of fixing value or allowable expenses for rate-making purposes, over which we have no jurisdiction. Florida has been informed of the contents of our findings and order herein and has stated that it will not contest them.

The Commission finds that the disposition of the amounts established in Accounts 107, 108.17, and 108.27, as well as the establishment of a full reserve against Account 100.5, in the manner described above, is consistent with the requirements of Rule U-27 of the General Rules and Regulations promulgated under the act and is necessary in the public interest and for the protection of investors or consumers.

An appropriate order will issue.

# Re Municipal Designation of Streets

Conference Ruling No. 22
December 15, 1949

INVESTIGATION *as to the necessity of Board approval of designation of streets for laying gas mains; approval held to be unnecessary.*

*Franchises, § 15 — Necessity of Commission approval — Designation of streets — Gas mains.*

**Designation by a municipality of streets for the laying of gas mains and pipes does not require approval of the Board when such designation is made in accordance with Revised Statutes 48:9–25.4 (Chap 110, PL 1949) since such statute grants the privilege or franchise directly and the municipality merely determines the manner in which the privilege or franchise granted by the state shall be exercised.**

By the DEPARTMENT: Question is raised informally before the Board as to whether the municipal designation of streets, etc., for the laying, etc., by certain gas companies of mains, pipes, etc., in streets, etc., for transmitting natural gas, or any mixture of natural gas with other gases, in accordance with Rev Stats 48:9–25.4 (Chap 110, PL 1949), requires the approval of the Board for its validity.

Revised Stats 48:2–14 provides that "no privilege or franchise" granted to any public utility, after May 1, 1911, by any political subdivision of the state shall be valid until approved by the Board.

In the opinion of the Board, the state, by Rev Stats 48:9–25.4, grants the privilege or franchise directly. The municipality merely determines the manner in which the privilege or franchise so granted by the state shall be exercised.

The municipality has no election except as to the "designation" of streets, etc., to be used. Consequently the municipal "designation" does not constitute the grant of a privilege or franchise and the Board's approval of such designation is not required. See State ex rel. Hudson & M. Teleph. & Teleg. Co. v. Linden (1910) 80 NJL 158, 76 Atl 444.

# Industrial Progress

*A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.*

## Paulsen-Webber Plans Wider Sales Coverage

WIDER sales coverage of its regular marine trade plus a new sales penetration of all other business fields, with particular emphasis on utilities and heavy industrial accounts, are planned for the coming year by the Paulsen-Webber Cordage Corporation. Announcement of the company's program was made recently at the conclusion of a 1950 sales planning conference attended by all executives and sales personnel.

On the basis of experience during the latter months of 1949, Paulsen-Webber also plans a major expansion of its activities in sales of cord, twine, and cordage of small diameters.

## Combustion Eng.—Superheater Opens Western Division

ESTABLISHMENT of a Western Division of Combustion Engineering — Superheater, Inc., New York, with headquarters in Los Angeles and branch offices in San Francisco and Seattle, has been announced by J. V. Santry, president.

Robert M. Hatfield, Jr., formerly assistant general sales manager, has been appointed general manager of the western division and will be in charge of all activities of the company in the states of Washington, Oregon, California, Nevada, and Arizona.

The activities of the western division include sales, installation, and service of the company's line of boilers and related equipment for the utility, industrial, and marine fields, as well as pulverizing and drying equipment for industrial plants, chemical recovery units and bark burning boilers for pulp and paper plants, and sewage sludge drying and incineration equipment for municipalities.

## Public Serv. of New Hampshire Opens New Schiller Station

SCHILLER STATION, said to be the most efficient electric power plant of its size in the world, was opened in Portsmouth, New Hampshire, January 18th by Public Service Company of New Hampshire. This station is the largest single item in the company's $30,000,000 expansion program.

Deriving power from the combined use of mercury vapor and steam driven turbine generators built by the General Electric Company, the new 40,000-kilowatt station will be able to produce more electricity with a given amount of fuel than any generating equipment of comparable size yet built. According to engineers who designed the equipment, the new station will be able to provide enough power to supply a city of more than 100,000 people.

Power from the station will be fed into the company's network of transmission lines which extend throughout the state. Thus, the output from Schiller Station will combine with the output from the company's six other fuel-burning plants and 31 hydroelectric plants, to supply the utility's 117,000 customers in about 70 per cent of New Hampshire, together with other New Hampshire electric companies and coöperatives which are normally supplied with power by Public Service.

The station consists of two 7,500-kilowatt mercury-turbine generators, two mercury boiler furnaces, two heat exchange units called condenser-boilers, and a 25,000-kw steam-turbine generator.

## Commercial Electric Cooking Market Study

THE potency of commercial electric cooking as a revenue producer for electric companies is revealed in a market study now being distributed to utility executives by Electrical Information Publications, Inc.

Case histories of companies which have actively promoted commercial electric cooking are included in this presentation. Dramatizing the increasingly desirable nature of the load, the study points out that in 1941 the increased commercial electric cooking revenue per food customer was $11.95; in 1948 it had jumped to $40.41; and with natural growth will go to an estimated $65.49 by 1960.

The study includes a suggested commercial electric cooking promotion plan for utilities interested in going after this profitable market.

Copies of the Commercial Electric Cooking market study are available from Electrical Information Publications, Inc., 20 North Carroll street, Madison 3, Wisconsin.

## Catalog on Posture Seating Issued

A NEW booklet on the advantages of posture seating in offices from standpoints of good health and increased working efficiency—has just been published by Remington Rand, Inc.

The 22-page, four-color booklet, containing full catalog data on the company's line of aluminum posture chairs, points out that the chairs are adjustable five ways to conform to the vastly different physical proportions of their users. The chairs minimize fatigue, ac-

(*Continued on Page* 26)

cording to the booklet, by providing gentle support where it is needed most—in the small of the back.

Economy is a major feature of the chairs, the catalog emphasizes. They "pay for themselves" by promoting increased output and consequently effecting substantial savings in time.

All available types of the posture chairs are illustrated, including models for executive, secretarial and clerical use. Covering materials, including plastic coated fabric, machine-buff leather, Bordeaux-Caval mohair and Bedford cord, all available in a wide variety of colors, are illustrated in full-color photographs.

Identified as No. FF-116, the booklet may be obtained at any Remington Rand branch office or by writing to the home office at 315 Fourth avenue, New York 10, New York.

## Index Computes Payroll Tax Deductions in One Operation

RAPID OFFICE DEVICES, INC., Dept. 148, 55 East Washington street, Chicago 2, Illinois, announces New Figure-Mated Payroll Tax Index which computes in one operation not only the Official Withholding Tax, but the new 1950 Social Security Tax of each employee, as well.

The Index consists of a finger-tip-controlled cylinder on which is mounted a chart for whichever payroll period is used. This chart supplies at one reading on the same line, the amount of Withholding Tax to be deducted, according to the exemptions claimed; and the new 1950 Social Security Tax; making this ordinarily arduous job, comparatively quick and easy.

Since 1943, the manufacturer has been supplying this Index to many employers on a 10-day free trial basis. Price is $24.50.

## Servel Plans Intensive Sales Efforts

SUBSTANTIAL retail price reductions, greatly expanded advertising expenditures, production schedule increases, a large distributive organization increase, plus large scale gas utility coöperation, were all cited recently by W. Paul Jones, president of Servel, Inc., as reasons why the company expects 50 per cent more sales in 1950. These optimistic statements by Servel's president were made at a meeting of more than 600 distributors, gas utility executives, and Servel management.

The predictions came as opening blasts in a full scale sales campaign to put the manufacturers of the gas refrigerator in a leading position in domestic refrigeration sales.

In outlining the company's 1950 plans Mr. Jones announced a greatly expanded advertising plan for Servel. Advertising expenditures are scheduled for increases of from 50 to 100 per cent.

Although gas utility companies, who have

(*Continued on Page* 28)


*Photo courtesy of The United Electric Coal Companies*

**Today many coal buyers** "write their own prescriptions." In ordering coal from the mines, they specify not only grade and size, but also carbon content, sulphur content, volatile matter, and *heat* value as well—in order to get exactly the kind that burns most efficiently in their equipment.

Quality control laboratories, like the one pictured above, make this possible. They are located right at the preparation plants of modern, mechanized coal mines. Here technicians check bulk samples—weighing, burning and analyzing each one. Their "lab" reports enable preparation plant superintendents to deliver the right coal to each customer.

Such steps are only part of modern coal mining, which also includes million-dollar preparation plants, shuttle cars, and high-speed conveyor belts, *plus* machines that drill, cut, dig and load coal. All these are the result of a program of capital investment in mechanization that has made America's coal mines the safest, most efficient and productive in the world.

**Working conditions** in modern coal mines are far different in many ways than you may have thought. Today the miner scarcely touches pick or shovel. Indeed, he's a skilled operator of many specialized machines—like mobile power drills, cutters, loaders, shuttle cars, and high-speed conveyors. He works in clean, fresh air, too. In fact, *more* tons of fresh air are pumped into today's modern mines by giant fans each 24 hours, than tons of coal moved out. And for his work, the miner earns higher average hourly wages than are paid by any other major industry.

**BITUMINOUS COAL**

**BITUMINOUS COAL INSTITUTE**
A DEPARTMENT OF NATIONAL COAL ASSOCIATION
**WASHINGTON, D. C.**

**BITUMINOUS COAL . . . LIGHTS THE WAY . . . FUELS THE FIRES . . . POWERS THE PROGRESS OF AMERICA**

long been Servel's chief means of distribution, will continue in their present function, Mr. Jones outlined plans to set up sales allies with many more dealers to supplement the utilities' distribution in certain areas. In addition to Servel's promotional efforts the campaign in behalf of gas refrigeration sales will receive a large impetus through the activities of the American Gas Association.

## Electric Association to Launch Largest Electric Range Program

THE Electric Association, representing 600 manufacturers, distributors, dealers, and electric companies in the Chicago area, February 14th will launch the biggest electric range promotion ever conducted in a single market to boost Chicago up the range sales ladder. It now ranks near the bottom, according to Axel Kahn, association president. The reason is that people haven't been properly educated to the advantages of electric cooking as the prime benefit of modern electrical living, he said.

Timed to immediately precede the peak selling season, the campaign will run for 13 weeks with advertisements in all major media plugging benefits of electric ranges.

If results are up to predictions, the campaign may be put on an annual basis, Mr. Kahn said.

## Manual Deals with Materials Handling Problems

A MATERIALS handling manual that offers 355 ways to cut inventories has been prepared by Aerol Company, Inc., manufacturers of materials handling equipment.

This manual has complete illustrations of all Aerol products and drawings which show exactly how they solve particular materials handling problems. Dimensions, load ratings, and code numbers are tabulated for quick and easy reference.

Copy of the manual may be obtained from the Aerol Company, Inc., 2820 Ontario street, Burbank, California.

## Kelvinator Offers New Line of Electric Ranges

A COMPLETE new line of six electric ranges for 1950 was unveiled by Kelvinator recently at the American Furniture Mart.

The distinctively-restyled new models included two deluxe automatic ranges, two apartment-house models, and two low-priced 39-inch-width ranges which may be fitted with either of two types of lamp-and-timer accessories.

The new accessory packages add broad flexibility to the 1950 Kelvinator range line, according to H. A. Willis, range sales manager. In effect they make it possible for the retailer to offer 10 models for sale while carrying only six in inventory. And they provide the customer with the best features of automatic electric cooking at much lower prices.

*This page is reserved under the* **MSA PLAN** *(Manufacturers Service Agreement)*

# New "HEAVY DUTY" 2½-TON GMC TRUCKS


## Designed to Allow Operators in the 2½-Ton Range to Haul Bigger Loads at Less Cost

**More Powerful 270-cu.-in. "Army Workhorse" Engine**

•

**Heavy Duty Rear Axle**

•

**Five-Speed Direct and Optional Overdrive Transmissions**

•

**New Heavy Duty Hydraulic and Optional Air Brakes**

•

**Conventional and Cab-Over-Engine Models**

•

**Six Wheelbases Providing Nine Cab-to-Axle Dimensions**

Here's real "big" truck performance in the middle duty hauling range . . . Here are GMC's new 470 models . . . trucks for over-the-road and off-the-highway operators that set new standards in 2½-ton hauling ability.

These GMCs are all truck-built from exclusive bumper-bar grille to tough, rugged rear axle . . . offered in single, double reduction or 2-speed types. They have big GMC valve-in-head engines and are available with air brakes . . . features that make them highly desirable for both truck and tractor use.

GMC 470s, in ten models, are built to provide an extra margin of performance . . . to haul bigger loads at less cost in the public utility transport field.

**GMC**
GASOLINE · DIESEL
**TRUCKS**

GMC TRUCK & COACH DIVISION • GENERAL MOTORS CORPORATION

*This page is reserved under the* MSA PLAN *(Manufacturers Service Agreement)*


Clearing out brush, logs and stumps, this International TD-6 Crawler does the preparation job on a utility right-of-way. This tractor clears from three-quarters to one mile a day of right-of-way one hundred feet wide. Another of its tasks is hauling utility poles to holes.

Like its big brother Internationals, the compact TD-6 is built to work constantly and do the tough jobs at a cost you can afford. Rugged and powerful, the TD-6 is "right" for dozens of jobs that are daily tasks in the utility industry.

Contact your International Industrial Power Distributor and let him help you choose the right size tractor for your operations. From the giant TD-24 to the tough little TD-6, there's a full line of International Diesel Crawlers to fit every job. You'll find Internationals are not only "right" for the job but also "right" for the balance sheet.

Standardize on Power that Pays

**INTERNATIONAL HARVESTER COMPANY**
**Chicago**

CRAWLER TRACTORS
WHEEL TRACTORS
DIESEL ENGINES
POWER UNITS

INTERNATIONAL HARVESTER

# INTERNATIONAL
## INDUSTRIAL POWER

*This page is reserved under the MSA PLAN (Manufacturers Service Agreement)*

# PROFESSIONAL DIRECTORY

• This Directory is reserved for engineers, accountants, rate experts, consultants, and others equipped to serve utilities in all matters relating to rate questions, appraisals, valuations, special reports, investigations, financing, design, and construction. » »

# PROFESSIONAL DIRECTORY (*continued*)

**FREDERIC R. HARRIS, INC.**
**HARRIS-DECHANT ASSOCIATES**
***Consulting Engineers***

| *Reports* | *Designs* | *Management* |
|---|---|---|
| New York | Philadelphia | San Francisco |

---

## HENKELS & McCOY

Electric & Telephone Line Construction Company
CONTRACTORS
PHILADELPHIA
*Wilmington, Del. • Portland, Me. • Altoona, Pa.*
*NOW WORKING IN FOURTEEN STATES*

TRANSMISSION DISTRIBUTION
OVERHEAD UNDERGROUND
CONSTRUCTION MAINTENANCE
BALL FIELD LIGHTING

RIGHT OF WAYS
CHEMICAL CONTROL
TREE TRIMMING
GAS AND OIL LINES

---

## HOOSIER ENGINEERING COMPANY

***Erectors of Transmission Lines***

**1384 HOLLY AVENUE • COLUMBUS, OHIO**

---

## The Kuljian Corporation

ENGINEERS CONSTRUCTORS

1200 N. Broad Street · Philadelphia 21, Pa
St. Petersburg · Washington

---

## WILLIAM S. LEFFLER

**Engineers Associated**
***Management Consultants***

Cost Analyses for Rate Revisions     Regulatory and Municipal Problems
Rate and Sales Research for Increased Operating Income

NOROTON     CONNECTICUT

---

## LOEB AND EAMES

**Public Utility Engineers and Operators**
**Ice and Refrigeration**
***Valuations, investigation reports, design and supervision of construction***

**57 WILLIAM STREET     NEW YORK**

*(Professional Directory Continued on Next Page)*

## PROFESSIONAL DIRECTORY (*continued*)

# PROFESSIONAL DIRECTORY (*concluded*)

# INDEX TO ADVERTISERS

[*The Fortnightly lists below the advertisers in this issue for ready reference. Their products and services cover a wide range of utility needs.*]



*Fortnightly advertisers not in this issue.

# Exide-Manchex batteries

## assure positive operation of switchgear

Exide-Manchex Batteries are different. Their famous Exide manchester positive plates are unique in design and construction, and are used *exclusively* in this outstanding storage battery. Other important features include: slotted plastic separators, impervious to chemical and electrical reaction; plastic spacers that maintain perfect plate alignment; the latest development in molded glass jars; heavy terminal posts with copper insert for extra conductivity. Combined, these features assure dependable power for positive operation of switchgear.

With Exide-Manchex Batteries, you get assurance of an adequate and uninterrupted supply of current for central and sub-station services. And you can also count on Exide-Manchex Batteries for maximum dependability, long life and low cost maintenance.

THE ELECTRIC STORAGE BATTERY CO.
Philadelphia 32

*Exide Batteries of Canada, Limited, Toronto*

"Exide-Manchex" *Reg. Trade-mark U. S. Pat. Off.*


***This page is reserved under the* MSA PLAN *(Manufacturers Service Agreement)***